

EINANCIAL TIMES

Sky's the limit

West looks east for iet sales bonanza

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BAA PIC



Preparing for Emu

How strong will

State oil companies



Ray of hope for cancer sufferers

over its takeover

Germany's biggest retailer Metro has cast doubt on its takeover of Makro, the Dutch cash and carry group, after it emerged that its target was considering other offers. Erwin Con-radi, chief executive of Swiss parent Metro Holding, said talks between Metro and SHV Holdings, Makro's majority shareholder, would not

retained to prepare UK rail leasing company Angel Trains for a 21bn (\$1.6bn) sale. The UK government sold the business two years ago for 2672.5m to a management team backed by Japanese securities house Nomura, Page 13

what it describes as "a major milestone" when it formally breaks ground at its site in Kumho

Thai growth predictions slashed: Economic forecasters have slashed their growth expectations in Thailand to just 1.9 per cent this year, and sharply raised their inflation predictions to 6.6 per cent. Page 5

land prices have fallen for the fifth year in a row, leaving the cost of sites in Tokyo at a fifth of their value during the "bubble era". Page 5.

tie-up with Braathens Safe, a Norwegian carrier which has been challenging Nordic market leaders Scandinavian Airlines System. Page 13

Caricom and US face trade rows A fresh trade row is looming over attempts by the US congress to force other countries to reject closes ties with Cuba. The 15 Members of the Caribbean Community (Caricom) have rejected moves to penalise them for trying to foster trade links with Havana. Page 12.

World markets: European stock markets mostly clawed back early losses, and the FTSE 100 delivered a reasonably robust performance, closing a net 30.8 off at 4.835.0. US stocks weakened further, following Friday's 247-point col... lapse in the Dow Jones Industrial Average, as technology stocks came under renewed mes-

crippled Russian space station Mir has failed. forcing the three crew members to shut everything except life support systems. Page 4

Hewlett-Packard disappoints: Computer and electronics group Hewlett-Packard disappointed Wall Street with much lower than expected third quarter earnings, despite strong

Vintage year for Bordeaux Bordeaux's wine harvest has begun more than a month earlier than usual, e once-in-a-century event that could yield 1997 vintage white wines of excep-tionally good quality, growers said. "1997 is



Russia's new BE-103 transport aircraft has

FT.com: the FT web site provides online news.

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TUESDAY AUGUST 19 1997

Sleeping giants

challenge the majors



of Makro group

be concluded before late October. Page 18

teresi releases Pelestinian paymen Israel has started to release payments worth Shk42m (\$12m) owed to the Palestinian Authority, suspended in retaliation for last month's spicide bomb attack in Jerusalem. Page 12

Morgan Stanley in train deal: US investment bank Morgan Stanley has been

North Kores nuclear project starts: The international consortium preparing to supply North Korea with safe nuclear power reache on the country's east coast. Page 5

Japan land values fall again: Japanese

KLM deal: Dutch airline KLM has agreed a

sure, Lex, Page 12; World Stocks, Page 30

New Mir origin: The main computer on

growth in orders and revenue. Page 18

already a legendary vintage - there is no doubt that this wine will be exceptional," said one.

Russia's new transport aircraft crashes



crashed near Moscow the day before its public. debut at an air show, killing the pilot. Its designers at Sukhoi military aviation had great hopes for the BE-103, an amphibious design which they say has good export prospects.

comment and analysis at http://www.FT.com

STOCK MARKET MINICES | M GOLD

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Metro casts doubt GEC-Alsthom and Siemens seal contracts for China's Three Gorges project

European groups win dam deals

By James Herding in Shanchai and Graham Bowley

Consortinms lad Ъy GEC-Alsthom, the Anglo-French group, and Siemens of Germany have beaten off rivals to win the first contracts to supply power equipment for China's Three Gorges dam, tha world's largest hydroelectric

The GEC-Alsthom group will provide eight power units, hav-ing won the bulk of the estimated \$800m order of 14 generators and turbines for the first stage of the controversial \$30bn project that will span

The Siemens consortlum, which includes Voith of Germany and GE Canada, hae

been asked to supply the other six power units. The order for the six generators - which will each have a capacity of 700MW - and the turbines to be provided by the Siemens consortium is worth about DM600m (\$326m), Siemens said. A GEC-Alsthom representa-

tive said: "It is very good news. We are taking the lead in a world famous project. They . . . are drinking French champagne in Beijing." But company officials refused to disclose the value of the contract for the eight units. The competition for the first

Three Gorges deals has been flercely contested, as six consortiums bid lower and lower prices and offered geoerous financing to win contracts thet many see as an entry ticket to vast future Chinese business.

Jacques Chirac, the French president, publicly lobbied on behalf of GEC-Alsthom wheo he visited China in May and is understood to have pressed the Anglo-French group's case in bis meatings with Jiang Zemin, the Chinese president. China said it would

which companies bad beeo

selected to supply equipment for the project. One Beijing official involved in the selectioo said the two leading European groups bad been chosen "on purely technical grounds". The bids, which were decided behind closed doors last week, were for the first stage of equipment supplies: 14 out of a total 26 700MW power units.

with turbines and generators. Representatives of the third European consortium - ABB Power Gen of Switzerland and Kvaerner of Norway - confirmed that they had oot won the big-ticket orders, but were announce in the next few days still in negotiations to provide

core components for some of

the turbines. "The contract could be in the region of \$50m," said one company offi-Tbe companies that appeared to have lost out in

the competition for the key contracts were Russian bidders Energomachexport, the Jepanese consortium led by Mitsubiahi Heavy Industries and the consortium including Impsa of Argentina and Turboatom of Ukraine.

China separately announced yesterday it bad spent Yn5.31bn (\$640.6m) between 1993 and the end of June this year, relocating people and industries displaced by the

dam's construction The Three Gorges project, which will create a 600km-long eservoir and displace shout 1m people, is due to be com-

pleted by 2009. At capacity, it will produce 84.7bn kWH of alectricity, one ninth of the total for the country in 1993. Three Chinese companies have won the Yn6.68bn deal to build the dam wall and building to house the turbines - a competition closed to foreign

bidders. The companies are Gezhouba shareholding company, Yichang Qingyun United Hydropower Company and Yichang Three Gorges Project

BT terms for MCI expected to stay unchanged

By Clay Harris in London and Tracy Corrigan in New York

The merger of British Telecommunications and MCI Communications, thrown into serious doobt last month; is expected to proceed with no change in the financial terms, according to some securities lawyers in New York.

BT's shares-and-cash offer, which yesterday valued MCI at \$28.67bn (£17.76bn), is thought unlikely to be altered, based on the wording of a Securities and Exchange Commission filing late last week.

But the partners are expected to announce changes in the US group's strategy in an BT's sceptical shareholders. BT has been under pressure to seek a renegotiation of the

terms or to abandon the deal the biggest foreign acquisition of a US company - after MCI warned last month that it would lose \$800m this year in its expansion into the US local telephone market. A wide-ranging review by

senior executives, announced after the profits warning, is expected to confirm the offer terms but to rein in MCI's investment plans to reduce losses. The result of the review is expected to be announced before the end of the month.

BT may also seek to exercise greater management control over the US business, which was originally expected to retain autonomy. This could involve high-lavel personnel

The deal is expected to clear its last significant regulatory hurdle this wack with approval by the US Federal Communications Commission. Evidence that no substantive changes in tha terms have been discussed came in MCI's regular 10-Q quarterly finan-cial report filed with the SEC. An SEC official declined to comment on an individual case, but said 10-Q filings should include "material infor-mation" that "an average

shareholder needed to make an informed decision". According to some US securities lawyers, discussion of a change in the acquisition price would have to be included. "If the MCI directors believed there was going to be a change in the terms, they would have to say so," said one specialist. "It might be oblique but it

should be there." MCI's filing gave precise details of the financial terms of the transaction and added: Completion of the merger, which is subject to approval by the US FCC, is expected by the fall 1997." MCI also reported

Continued on Page 12

The service of the se



Recovery fuels leap of 8.8% in Mexico's GDP

in Mexico City

Maxico's gross domestic product leapt by 8.8 per cent in the second quarter over the same period last year, greatly surpassing expectations and continuing the strong recovery from the 1994 peso devalua-

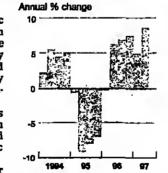
Seasonally adjusted numbers yield an underlying growth rate of 7.4 per cent, fuelled by a long-awaited domestic recovery.

The figures are a fillip for

President Ernesto Zedillo, facing the first oppositiondominated Congress in the country's history amid increasing controversy over the government's economic policies. The rise failed to impress the Mexican stock exchange, which remained worried by Wall Street. Midway through

at 4.881, 1.53 per cent down on the previous close. "Finally we can talk about a broad-based recovery," said Paulo Leme, director of emerging markets economic research at Goldman Sachs, New York. "This defuses the potential political risks of a principally export-oriented recovery.

After 1995 and 1996, when the government applied highly restrictive monetary targets as part of an International Monetary Fund-inspired stabilisation programme, monetary policy has been more neutral this year, helping the recovery of domestic demand. Contractual wages, which fell sharply durMexican que orovantese



cent in real terms. As a result, the services sector of the economy has rallied, growing by 7.7 per cent during the quarter.

The recovery in the domestic sector was allied to wellestablished treods elsewhere. The construction sector grew trading the leading index stood by 10.2 per cent for the first six months of the year compared with the first half of 1996, partly because of a spate of building preceding congressional elections in July.

Manufacturing rose by 9.1 per cent for the first six months, although the partially tax-exempt assembly plants, known as maquiladoras, have outstripped increases in more traditional manufacturing activities.

Agriculture grew by 10.4 per cent for the second quarter, largely because of the end of a drought that had affected northern Mexico for several

The trade balance has so far

and the Chechen republic eased yesterday after a friendly Kremlin meeting

productivity.

over sovereignty, with Mr

Yeltzin rejecting full indepen-

Report, Page 12 Picture: Pauter

dence for the region.

between Borls Yeltsin (above right), Russian president, and Asian Maskhadov, his Chechen counterpart. But the two leaders were still at odds

to exactly 3 per cent of gross domestic product - the Masstricht target for single cur-

Bonn forecasts higher rates of unemployment

By Ralph Atkins in Bonn

Germany's economics ministry yesterday revised upwards its forecast for unemployment this year and said that, even with faster economic growth, there would be only a "slight decrease" in record joblessness

unemployment levels not seen since the 1930s, Gunter Rexrodt, economics minister, said it was probable that only western Germany would benefit from next year's expected fall. The east continued to be hit by overcapacity and wages which have grown faster than

ennes, high unemployment is making it more difficult for Germany to achieve the Maastricht treaty criteria for membership of a European single

rency mambership - as demanded by some conservatives in the parties of the governing coalition.

German unemployment is predicted to avarage more than 4.3m in 1997, an increase of 350,000 compared with 1996. That compares with official forecasts published in May pre-Highlighting the difficulty dicting an average of 4.285m. Germany still faces in tackling For 1998, the government is assuming a reduction of about 100,000 in its budget plans.

But Mr Rexrodt painted an upbeat picture of Germany's growth prospects. He acknowledged different trends in different parts of the economy, but said exports were growing "exceptionally powerfully".

In the domestic economy, By pushing up government however, retail sales remained pending and lowering tax revment goods were sluggish and production in the building sector was falling.

Mr Rexrodt said preliminary estimatas suggested an increase of up to 1 per cent in Mr Rexrodt said the criteria gross domestic product in tha could still be mat, but he second quarter of this year, avoided forecasting whether compared with the first three the German deficit would fall months. For the first half, GDP was likely to have been 2 per

Continued on Page 12

This announcement appears as a matter of record only.

Ernst & Young

acted as Rule 3 independent financial

Cater Allen Holdings PLC

adviser to

during the £191 million recommended offer for Cater Allen Holdings PLC by Abbey National plc.

II ERNST & YOUNG

by The Institute of Construed Accountants in England and Wides to carry on increasures business.

years. ing the depths of the crisis, held up better than expected. A way through the fog, have also begun to recover. In June the country recorded a Page 10 | currently rising by about 6 per trade surplus of \$308m. CONTENTS

int Econ Indicators Int. Cap Mids ______18 Int. Bond Service Arte Guide . FTSE Actories _____26 Share Information ___24,25 World Trade News4 FT/SP-A Wid Indices.....30 London SE Foreign Exchanges 18 Well Street

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EUROPEAN NEWS DIGEST

Austrian right

wants Emu poll

Jorg Haider, the charismatic leader of Austria's far-right

petition to force the government into a referendum on the

single European currency. Mr Haider said that Austria

was unprepared for economic and monetary union (Emu)

He cited Britain's example, where the government has

promised to consult the population before joining Emu.

His initiative will have no legal force, regardless of the

The latest opinion polls show the population evenly

split, but a majority expects that Emu will be

of the benefits of the euro.

IM 'MAD COW' BAN

number of signatures, but it could put the government on

the defensive at a time when few Austrians are convinced

disadvantageous to them. With a budget deficit below the

Maastricht treaty's limit of 3 per cent of gross domestic product, and the schilling closely pegged to the D-Mark. Austria is expected to join Emn in the first round.

Representatives of the ruling coalition dismissed Mr

Haider's call for a referendum and pointed out that by voting in favour of EU membership in 1994, Austria had

Germans seize suspect beef

already endorsed the single currency. Eric Frey, Vienna

Sixty tons of beef seized by customs officials in Germany last week originated in Britain, in violation of a European

Union export han imposed because of "mad cow" disease,

Gunther Losse said a British stamp had been found on

the meat, which was seized at a food import company in

Kaltenkirchen, northern Germany. The meat, shipped

from Ireland in three containers in April, May and June,

Brussels who doubted the validity of an Irish stamp and

The importer was arrested but freed after questioning.

investigators said he might not have known the meat was

imported from Britain. If found guilty, ha faces a sentence

AFP, Hamburg

was seized after a tip-off from customs officials in

said a UK stamp had been removed from the meat.

Politicians rally to Pope

more on secular than on spiritual matters.

Umberto Bossi, who accused the Pope last weekend of

meddling in politics, came under fire yesterday from

government and opposition parties. Mr Bossi, leader of

the separatist Northern League, said that the Vatican had

"Bossi's words are the fruit of a personal neurosis: he

needs a psychiatrist," said Rocco Buttiglione, head of the

"The Church in Italy does not dn politics. Bossi does

politics in the most squalid of ways," Mr Buttiglione said

Beppe Pisann, speaking for the opposition Forza Italia

in an interview published by La Repubblica yesterday.

movement, called the remarks "ravings and vulgarities

EU defies Turkish protest

The European Union said yesterday it would open

such a move threatened the island's reunification.

Cyprus despite complaints from the Turkish side that

He made it clear, however, that the EU would not be

opposition centre-right Union of Christian Democrats.

taken a step backwards under Pope John Paul, focusing

a customs spokesman said yesterday.

of up to five years in prison.

III ITALIAN CATHOLICS

Freedom party, yesterday announced a nationwide

and might end up with a soft and unstable currency.

Claims by Bosnian Serb president highlight growing intensity of power struggle with Karadzic Playsic accuses rivals of bugging her

By Guy Dinmore in Banja Luka, Bosnia

Biljana Playsic, the Western backed Bosnian Serb president who is locked in a power struggle with hardline nationalists. accused her rivals yesterday of maintaining an extensive bugging network in the main police station close to her offices.

Mrs Playsic called a press conference to display what she said were transcripts of conversations she and other prominent figures had held since June when the power

The president was codenamed "thunder" in the transcripts, while

stronghold here in north-west Bosnia were nicknamed "crow" and "lizard". Mrs Playsic said 200 tapes were seized.

One telephone line said to have been tapped was that of Jovo Rosic, a constitutional court judge, who said he had been badly beaten by Mrs Playsic's rivals the day before the court ruled last week that the president had had no authority when she dissolved parliament last month.

Special police forces under Major Dragan Lukic, loyal to Mrs Playsic. seized the public security headquarters from forces controlled by Radovan Karadzic, Bosnia's war-

crimes suspect, hefore dawn on near Sarajevo. Sunday. British troops of the Natoled peacekeeping force, backed by the building in Banja Luka 12 hours later and evicted Major

Lukic and his 50-strong force. UN civilian police scoured the huilding for evidence of phone-tapping and human rights abuses while British soldiers stood guard yesterday. UN police said they had found some arms and possible evidence of phone-tapping.

Serb politicians said the incident illustrated the growing rift between Mrs Playsic and Mr Karadzic, who is based to the east

opposition leaders hased in her time leader and indicted war in the mountain village of Pale

the opposition Social Liberal party. armoured vehicles, took control of said there was a real danger that the Serb-controlled half of Bosnia would itself break into two distinct

> spokesman said there was no eviknowledge of his operation.

Western powers have given strong backing to Mrs Plavsic. Zagreh and taken to the interna-Despite ber record as a nationalist tional war crimes tribunal for forideologue, she is perceived as more mer Yugoslavia in the Dutch city

Pension reform in eastern Europe

Dayton peace accord that ended Bosnia's civil war between Mos-Dr Miodrag Zivanovic, leader of lems, Croats and Serbs.

Nato's recent imposition of controls over Bosnia's special police forces were primarily intended to weaken Mr Karadzic's position.

 Creatian authorities are holding Nato accused Major Lukic of Pero Skopljak, an indicted Bosnian hreaking rules governing the con- Croat war crimes suspect, in a duct of special police forces but a Zagreb jail, and are likely to transfer him to The Hague today, court dence that Mrs Playsic had prior sources said yesterday, Reuter reports from Zagreb. The suspect will prohably be flown out of willing to accept the US-mediated at midday local time today.

Russian property chief

By Chrystia Freeland

The deputy governor of St Petershurg was shot dead by a sniper yesterday in a gangland-style killing which has renewed fears in Russia of connections between organised crime, husiness

and politics. Mikhail Manevich, who also headed the city's state property committee, the agency responsible for privatisation, was killed while travelling to work in his official car down Nevsky Prospekt, St Petersburg's romantic main street and a central location in the work of great Russlan writers look urgently at reform to such as Tolstoy and Gogol.

Officials said that Mr Manevich appeared to be the victim of a sniper shooting from a rooftop on the street. His wife was also wounded in the attack.

Anatoly Chubais, the first deputy prime minister and a leading Russlan reformer, said the attack on his old comrade was part of a broader effort by "bandits" to thwart the government's efforts to impose law and order in Russia.

Regardless of the handitry and anarchy, the posttion of the reform team will be unchanged," Mr Chubais said.

"In answer to their actions we will act ever more firmly."

Mr Chnhais praised Mr Manevich as a dedicated official and personal friend said that the two men had been planning to meet yesterday evening.

"For me, Misha Manevich was not just a hureancrat. We were united by a shared mission and hy a web of friendship reaching back to our university days," Mr Chubais said.

Mr Manevich's death will increase the controversy surrounding the municipal government of St Petershurg. Russia's elegant second city, which has recently become mired in corruption scandals, leading to the arrests of several offi-

The 36-year-old deputy governor's death is also likely to increase public scenticism about the Kremlin's yow to introduce "civilised hebayiour" and the rnle of law intn Russla's wild new capitalism.

Because of the weakness and frequently biased hehaviour of the Russian courts, husinessmen are often inclined to resolve their disputes through force. Civil servants, particularly those responsible for such potentially lucrative areas as privatisation, often risk being dragged into these struggles.

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Pension crisis spurs reforms shot dead in E Europe

In the first of three articles. Bertrand Benoit and Matej Vipotnik examine the problems of updating east Europe's pensions

urope's ageing popu-lations are stretching ✓ state pension systems to the limit - and nowhere are the strains worse than in the formerly Communist-run welfare states of the east.

High contribution levels, generally low benefits resulting from wider coverage and a population of baby-boomers close to retirement age are forcing governments to avert the looming crisis. Three avenues have been

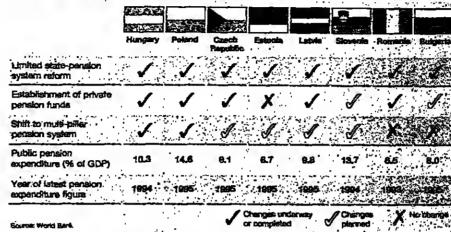
explored so far. The minimalist solution seeks to improve the existing system by raising the retirement age, increasing contributions or lowering benefits. The Czech government recently shifted the indexation of benefits from rapidly increasing wages to inflation. In Hungary the contribution base was extended last November, while Romania increased the Kreidt, referring to limited of state pension systems, funds are likely to be ini-

number of years used to calculate benefits.

In both the Czech Republic and Bulgaria, independent pension authorities were created to avoid the all too frequent governmental raids on pension coffers. This has not prevented the Czech government from dipping into the and volstile markets are con-reserves. "It is a relatively strained by strict guidelines insignificant change," said Vladimir Kreidl, an economist at Patria Finance in Prague.

The second option entails

the creation of private pension funds to complement the existing system. Again, this approach has limits. In Romania, the two funds in operation are crippled by lack of investment opportunity and inadequate financial market infrastructure. In the Czech Republic, 39 funds survive out of 44 set up in 1996. "The situation is



market transparency which persists despite recent efforts at creating a stronger regulatory environment.

Funds operating in thin strained by strict guidelines which affect the return on investment "Pension funds can only develop as fast as the financial infrastructure." said an official at the European Bank for Reconstruction and Development.

There may be other reasons for dormant fund activity. In Hungary, payroli contributions to state funds of 30.5 per cent of gross wages have tapped most of the expense of the 250 pension funds created in 1994. One condition for the success of far from optimal," said Mr private funds is the overhaul

International Monetary Fund officials argue.

The third approach involves the introduction of a three-pillar arrangement along guidelines issued by the World Bank in 1994. The state-run system is scaled down, dealing solely with redistribution, and is flanked hy a mandatory, fully funded private system. Both pillars are financed from payroll tax and supplemented by a third, voluntary pillar of pri-

vate funds for those wishing to receive larger pensions. Poland is moving towards such a model. Under a new system to be phased in from available savings at the January 1999, the government will create 10 to 12 private funds, which will be capitalised by the transfer of state assets. "Although the

tially cantious in their investment strategy, they will probably develop relativaly fast," said Jack Dzierwa. Poland analyst at Salomon Brothers London.

The multi-pillar model also inspired the new Hungarian system due to start in January. A quarter of contributions will be transferred to mandatory, privately run funds. Younger workers will be able to opt out of the old system, which will be scaled down over four decades. The government plans to finance the project with privatisation receipts and bond

Similar reforms are being considered in the Czech Republic, Estonia, Latvia, and Russla. Romania and Bulgaria have implemented

which do not deserve any consideration". Mr Bossi clashed with the church last year when be proclaimed independence for the northern "Republic of Padania". only limited measures. CYPRUS TALKS

Aircraft groups swoop on new market

By Joe Cook in Prague

European countries are about to enter a new, intensively competitive phase. Among the prizes at stake is a Czech government order for 24-30 jets worth up to \$1bn, the outcome of which will set a precedent in central Europe's newly opened defence market.

The Czech Republic, Hungary and Poland are in the market for modern fighter jets and air defence systems as they prepare to enter Nato in 1999. Austria and Slovenia are also moving to upgrade their air forces. Central Europe's combined orders for as many as 262 jets will be worth pens. up to \$10bm

Battling for that business are British Aerospace and Saah, the Swedish aircraft group, which jointly make the Gripen jet, Lockheed Martin of the US, maker of the F-16, Boeing. which manufactures the F/A-18, and France's Dassault, maker of the

All four competitors are touting their jets as the best. But according to Paul Beaver, of Jane's Defence Weekly: "There is no such thing as the best aeroplane in the world. What matters is best value for money". Best value hreaks down into three components: purchase Polish companies. All four competi-

latter, which help countries balance craft concern. The efforts of western aircraft the cost of military procurement Assembly typically accounts for tual property rights to the Czechs, groups to sell fighter jets to central with inward industrial investments, about 15 per cent of the cost of the and could also include establishing a that the outcome of the competition will largely turn.

Defence industry analysts say Hungary has played the smartest hand so far, encouraging competitors to institute offset programmes before the release of tender documents. To that end, Budapest signed a non-hinding memorandum of understanding in 1995 with the Swedish government, under which Sweden has pledged to make investments in Hungary, and to buy Hungarian goods Worth a potential \$1bn, equal to the cost of huying 30 Gri-

Under the scheme, Electrolux, the Swedish appliance maker, which like Saah is owned by the Wallenberg family's investor bolding company. has invested \$100m in a fridge factory. The plant employs some 4,000 people and now accounts for 8 per cent of Hungarian exports. Electrolux has promised the Hungarian government it will create another 16,000 jobs if it huys the Gripen.

in Poland, plans are afoot to form an "offset committea" under which local industrialists will co-ordinate negotiations between the four western jet-makers and as many as 1,500

trial offset programmes. It is on the jets at PZL Mielec, a state-owned air- to Aero. This would include transfer-

about 15 per cent of the cost of the and could also include establishing a iet. Poland is expected to order 100-160 jets, worth up to \$4bn. PZL can therefore expect revenues of up to \$600m from jet assembly. Boeing and Dassault have already signed component-making deals with the Polish company.

In the Czech Republic, Lockheed job safeguards. Martin and CKD, a Czech heavy engineering firm, have signed a preliminary "job-producing" industrial development programme. Boeing strengthened its band in May hy signing a memorandum of understanding with Prague to acquire a Stake of between 34 per cent and 40 per cent in the state-owned Aero Vodochody for a minimum price of

Kc950m (\$28m). The arrangement includes proposals for Aero, which makes light jets, to produce parts for Boeing civil aircraft and to co-produce the F/A-18, said Jim Schlueter, a Boeing spokesman. The final contract is scheduled to be signed by late September. "We think Aero is a win-win situation for us," said Mr Schlueter.

Alan Garwood, European managing director of British Aerospace. dissgrees. On a recent visit to Prague, he challenged the Boeing-Aero arrangement by offering to price, operational costs and industors have agreed to assemble their liceocc full production of the Gripen Beaver.

ring high technology and intellecdesign and development unit Aero.

BAe and Saah are free of the constraints faced by US defence companies, which need govarnment spproval for high-tech transfers on the grounds of security and domestic

Politics is also a factor. The US may expect some reward for spearheading Nato's invitation to the Czechs, Hungarians and Poles. "Poland is a strong ally of the USA. which is why Poland will work to balance anti-American sentiment," said a senior official at the Polish

foreign ministry.
The Anglo-Swedish team can also expect a tough sell because of Sweden's traditional neutrality.

In order to counter that, BAe, which is in charge of marketing the Gripen across central Europe, is pitching the jet as a chance for local companies to "become part of a new pan-European defence industry".

Still, with Nato enlargement requiring a two-thirds majority vote in the US senate, central European governments can expect some heavyweight American lobhying. "The US will extract at least a pound and a half of flesh," said Mr

start talks with the Greek Cypriots in 1998 as scheduled, he said.

Reunification talks in Switzerland collapsed last Friday after the Turkish Cypriots refused to drop their objections to Cyprus's entry into the EU unless the Turkish side was included in negotiations. Rauf Denktash, the Turkish Cypriot leader, accused the EU of undermining the reunification process by its

readiness to negotiste membership with the Greek Cypriots alone. AP Brussels Editoria) Comment. Page 11

FRANCE AND EU

solution to their problems",

Lang threat to block treaty

An influential Socialist member of the French parliament has vowed to oppose ratification of the European Union's Amsterdam Treaty, saying it would open the way to the declina of the EU.

In an article published yesterday in Le Monde, Jack : .. Lang, chairman of the National Assembly's foreign affairs committee, called the accord "a rump treaty" papering over cracks. He demanded that the EU be turned into a federation to regain its momentum. "I will not ratify the Amsterdam Treaty as it is now

being presented. And deputies in several national parliaments are prepared to do the same," he wrote. "The path chosen in Amsterdam is not the right one. neither in its vision nor its method. By patching up and adding a coat of glossy paint, we have merely plugged the leaks of a ship without a skipper, a course or an

engine." Last June's Amsterdam summit produced a watered down accord paving the way for EU expansion into eastern Europe and enabling the union to push shead with plans for a single currency from 1999.

Mr Lang said the treaty showed Europe's apathy in the face of "a vigorous, creative and conquering" United

FRENCH IMMIGRATION POLICY

54,000 apply to stay on

More than 54,000 immigrants unsure of their legal right to live in France have asked the new leftwing government to let them stay on, far more than expected, the interior

ministry said yesterday.

The government, which took power in June, amounced as one of its first steps that it would begin a case by case review of an expected 40,000 requests for residence papers from immigrants finding themselves in legal finiba.

The large number seeking to clarify their status is certain to fuel rightwing arguments that Lionel Jospin, the Socialist prime minister, erred in agreeing to review

their situation.

Jacques Chirac, the Gaullist president, has charged that the initiative will encourage more illegal immigrants to come to France, aggravating the country's 12.6 per cent unemployment and thus feeding racist sentiment.

Most of the cases are the result of revisions in immigration law carried out under the previous rightwing government. They deprived thousands of individuals of the legal right to remain in France while failing to give the state the power to expel them. Reuter, Paris

Euro's only way 'will be upwards'



has been the mantra of the currency markets this summer. Most traders Preparing think the single European for Emu currency will

he nowbere near as firm as the D-Mark, which has risen for most of the past 25 years. As the D-Mark is traded as a proxy for the euro, they have been selling the German currency. It dropped 5 per cent against the dollar in July. hitting eight-year lows, and has revived only in the past fortnight.

But the markets may be wrong: the euro could be as hard as the D-Mark.

The "weak euro" argument rests on three pillars. First, the market expects damentals making for a to raise rates, says Avinash should enhance economic larly dominant role in world European monetary union to be "hroad", with up to 11 founding members in January 1999, including such his- surplus of about \$100bn. Emu economies should he reduce government deficits. euro, Mr Juckes says, the torically weak currencies as Europe has become "banker recovering by January 1999. But Mr Von Maydeli says: only way is up.

The new currency could confound the sceptics and prove as hard as the D-Mark, reports Simon Kuper the lira, peseta and escudo. to the world, says Peter von France may want the bank

The entry criteria for Emu would probably be hlurred, letting entrants run high hudget deficits, thus softening the euro.

The second argument is that Europe has structural economic problems. Economists say it pays out too much social security, creating high unemployment and low growth. The third point: the euro will have no pedigree. Central banks want to hold the dollar and D-Mark because these currencles have proved strong. As the euro will have no history, central bankers will convert their D-Mark reserves into

dollars rather than euros. But the euro could have some classic economic lunstrong currency. The countries expected to join Emu have a total current account

Maydell, senior currency economist at UBS in London. Any economy that exports more than it imports should find demand for its currency exceeds supply.

Then there is the independent European central bank. Currency strategists expect it to kick off by taking a tough line on inflation. "Whoever is running the hank will he an inflation hawk from Day One," says Kit Juckes, currency strategist at NatWest Markets in Loudon. That means rising interest rates. The high yields should draw investors to fixed-income assets in euros, boosting the curreccy.

to go easy on rate rises, but the bank's statutes should enable it to resist politicians, currency strategists say. Mr Persaud adds: "You are talking about a culture of

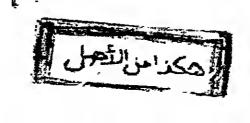
ceotral banking today which is very conservative in Europe, from Germany to Italy." Antonio Fazio, goverarguing about pockets of inflation in a country with an inflation rate of 1.5 per cent. He's a tough man". Already, the inflation rate in the putative Emu zone aver-With monetary policy

tight, Emu members will The European central have to stimulate their econbank will be relatively free omies by cutting taxes. That Persand, head of global cur- growth, another plus for a trade, says Mr Persaud. So rency research at J.P. Mor- currency. Taxes are high all gan in Europe, because the over Europe this year, to the euro will be firm. For the

gets we will ever see in Europe". Further, says Mr Persand, many European countries and companies are cutting social security spending. That should boost growth. Lastly, many central

banks will want to bold large euro reserves, says Mr Persaud. He rejects the view that central banks seek to hold strong currencies as reserves. Were that the case. nor of the Bank of Italy, "is he says, bank vaults would be full of Swiss francs. Dutch guilders and Japanese yen. In fact, the dollar is the most popular reserve currency. Central banks like the dollar because it has tended ages only about 2 per cent. to fall. They know it is That bodes well for the euro. unlikely to soar, forcing them into devaluations.

Much international trade is paid for in dollars. The euro should assume a simithere are reasons to think



21 3.3 -21.11

2.1

3.7 7.27

2-2-16 7000 membership talks with the Greek Cypriot government of 14:1-

João Vale de Almeida, an EU spokesman, said that the held hostage by a Greek-Turkish stalemate over Cyprus.

in the absence of a reunification accord, the EU would

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ereat in blocks

Ameritech chief in plea to FCC over ruling today

Telecoms guidelines call

Notebaert, chief executive of the Ameritech telecoms group, yesterday called on the Federal Commmications Commission to provide "clear and realistic" guidelines for local carriers seeking to enter the long dis-

The FCC is due to rule today on whether the Chicago-based carrier, which provides local services in five Midwest states, has opened its local markets sufficiently to warrant its entry into Michigan's long distanca market.

The 1996 telecoms act permitted local carriers in the US to start selling long distance services, but only if their existing monopoly markets were opened to competition. Ameritech's Michigan filing is the most advanced hid by a local carrier for long

enly awaited FCC ruling is likely to be a benchmark for the industry.

In an articla in today's Financial Times, Mr Note-baert said Ameritech had "done everything to hold up our end of the bargain", and that its Midwestern markets were "the most open anywhere in the world".

Expressing frustration with the regulatory process, Mr Notebaert added: Whether or not the FCC opens long distance markets to Ameritech in its decision today, they can advance the process by rejecting vague tests and impossible bur-

But Bert Roberts, chairman of MCI, the Washington-based long distance carrier, countered by accusing tha local carriers, such as Ameritech, of "systematically opposing" local compe-

"The local companies are ability," he said. merging rather than competing, seeking to thwart com-

etition instead of advancing it, shamelessly exploiting their monopolistic power to do so," he said.

Mr Roberts noted that Ameritech still controlled 99 per cent of its local calling area. "To be sure, the local monopolies have learned the rhetoric of competition. But they resist the reality. And their rbetoric is belied by the facts," he said.

That continuing concen

tration, said Mr Notebaert, reflected a deliberate strategy by the long distance carriers, which, be said, were stalling entry to the local markets. "Long distanca companies bave been full-scale entry into local preserve the status quo and

Analysts, meanwhile, are doubtful that the FCC will grant Ameritech's request, following reservations expressed by Michigan regulators and the Department of Justice over Ameritech's compliance with a 14-point

In June, the Michigan authorities found a sbortfall in three specific areas, although they conceded that these deficiencies might he remedied by the time the FCC ruled. The Justice Department expressed similar concerns to the FCC.

checklist, designed to test

whether markets are open.

The long distance markets in Ameritech's core fivestate area are worth around \$9bn annually, with reveencouraged to believe that nues in Michigan put at the longar they stall around \$2.3bn. Ameritech has also filed for permission markets, the longer they can to enter the long distance

Montserrat's economy in ashes as eruptions worsen

Canute James reports on an island with fears for its future

oniserrat's truculent volcano is now threatening what the British government says is a massive, cataclysmic-intensive eruption", putting further in doubt the viability of the colony in the eastern Caribbean, and causing the authorities to plan a voluntary partial evacuation.

George Foulkes, the UK's international development minister, said yesterday tha consequences of the eruption "if it did occur, would be extreme" and the entire island was threatened. "Over the past 24 hours the volcano has become more dangerous. As a result, we have agreed to this voluntary partial evacuation of anyone wbo wants to leave."

The Soufrière Hills volcano, which became active two years ago, bas destroyed Montserrat's economy. With tbe habitable areas of the island reduced to 15 of its 40 square miles, the 4,000 islanders - about a third of its population of two years ago - have been moved to the undeveloped north. They are faced with inadequate bous-

ing and poor sanitation. Doctors and nurses are leaving, and the civil servants remaining went on strike last week because their wages have not been increased since 1990.

The dangers posed by the volcano, and closure of the island's only airport in June, have stopped tourism, after visitor arrivals last year were half the 1995 volume. Processing imported rice for the European market, a blg source of revenue, has fallen significantly. Restricted port activities have

reduced the assembly and re-export of electronic products. The economy now depends mainly on aid from London. Insurers no longer provide cover for "This is a voluntary evacuation and

we are not abandoning the island," Boh Webb, bead of the governor's office, said yesterday, "There is a lot of speculation about the minimum number of people which would make a viable community. No number has been put on it. The UK will continue to support those who stay."

However, a senior Montserrat civil servant said the issue of the island's viability would have to be addressed soon, "This situation cannot be sustained if the volcanic activity continues for another few months, and this is clear to all involved," he added.

A senior official of the Caribbean

Community secretariat said the British and Montserrat governments must already about viability. "There was talk of building a new

Soufrière erupts: islanders have fied to the undeveloped north

airport, bot there must be a market to or to the UK, Mr Webb said. support infrastructure. Can electricity, telecoms and water, for example, continue to be produced at higher costs for a smaller population? Can the taxes collected from 4,000 or 3,000 people do what the original 11,000 were paying two years ago?"

The deterioration in the situation has taken the island's administrators by surprise. Bertrand Osbourne, the chief minister, who suggested last week that the island could be viable, said yesterday the government would determine "who goes first and when".

"It is a day we have been battling for over two years to avoid," said Frank Savage, Montserrat's governor. The Montserratians later this week, said Mr avoiding."

bave reached private conclusions Osbourne. Those wanting to leave will be given money and transportation to neighbouring islands such as Antigua,

Governments in the Caribbean have been concerned Britain has appeared unwilling to move quickly to deal with the situation on the island. Officials have accused Britain of being reluctant to accept "full responsibility" for Montserratians.

Caribbean officials suggested Britain was boping voluntary evacuation would spare it the responsibility of moving Montserratians out of the

"If they leave of their own vobtion then they are responsible for themselves," a Jamaican official said. "But if the British government moved them off, they would be a Britisb responsibildetails of the evacuation will be told to ity. It's this we believe the British are

Big labour bounces back

Polls show public sympathy for Teamsters union anxiety over growth of part-time jobs at UPS, writes Mark Suzman

Tens of thousands of strikers are on picket lines across the US for a third week, confronting to 9.4m, just over 10 per cent angry managers with chants labour dispute between United Parcel Service, the US's largest parcel carrier, and the Teamsters, one of the country's most powerful unions, has turned the clock back to a classic mid-century battle between "big business" and "big labour".

While that may be an obvious characterisation, in the one. Business has been thriving in recent years and despite the return of a Democrat to the White House, unions have continued their decades long slide in power and membership.

But in the otherwise quiet days of summer, organised labour senses that the UPS strike may mark a turning point in its fortunes. The broader labour movement grab tha public's attention and demonstrate an aggressive new approach in its drive to reassert workers' rights in an increasingly ser-

Between 1992 and last year, private-sector union membership fell by 320,000, of non-government workers. That was barely half the peak of 17m in 1970 and represents less than a third of the 36 per cent of the workforce who were unionised in the early 1950s.

With 1.4m members, the Teamsters are still a formidable organisation, but that figure too is down from a peak of over 2m. Despite having belped the union rid ultra-competitive world of itself of a reputation for corthe 1990s it is a misleading ruption and mismanagement, Bob Carey, its president, is fighting off allegations of campaign improprieties in winning reelection last year. He badly needs the strike to succeed to secure his position.

The AFL-CIO, the country's leading labour federation, needs the Teamsters to Carey. With a central elehigher-paid full-time ones a fundamental union objec-

been quick to throw his full support behind the strikers. "It is difficult to overstate the importance of this strike for us," says one senlor labour movement official. "It has broad visibility and it raises fundamental ques-American labour movement and collective bargaining."

> ne indication that the dispute may mark a turning point for labour has been the public response. In contrast to other big industrial disputes in the past 15 years, polls suggest that most Americans are sympathetic to UPS worker demands. This coincides with a

much more assertive attitude taken by the AFL-ClO under Mr Sweeney's leadership over the past two years. He has led a drive to raise the public and political prowin almost as much as Mr file of the labour movement while boosting membership ment of the UPS dispute the among traditionally underhas seized the opportunity to company's reluctance to represented low-paid service turn new part-time jobs into workers such as hotel

"The strike signals tion to modern business another step in the campractices - John Sweeney, paign of organised labour to the AFL-CiO president, has be much more visibly

aggressive in their tactics," says Michael Baroody, senior vice-president for public affairs at the National Association of Manufacturers. "And it is very clear that there is some concern [for business] this would be a tions about the future of the precedent for similar activity elsewhere over the coming

But even if the Teamsters achieve their goals, it may prove difficult to transform the labour movement's fortunes in the prevailing political context. Unions initially bad high

hopes that the election of Bill Clinton as US president 1992 would mark the arrival of a labour-friendly administration after 12 years of hostile Republican rule. In practice, bowever, Mr Clinton overrode strong union objections to pusb

through the North American Free Trade Agreement in 1993. Last year be ignored union opposition in signing the new welfare law and be also overlooked the movement's first choice for a new labour secretary, Harris Wofford, a former senator, in favour of Alexis Herman, a White House staffer.

Undaunted, the AFL-CIO bas remained a strong backer of the Democrats giving a record \$35m to the party in the 1996 elections and planning to provide even more in future polls.

lthough Congress is Repoblican-domiclout has belped it successfully lobby lawmakers to prevent the passage of several blts of legislation designed to deregulate workplace rules.

Analysts also suggest the unions' higher political profile has been instrumental in Mr Clinton's reluctance so far in this dispute to invoka the Taft-Hartley act - a key labour law that gives the president the authority to halt any strike be deems is causing serious damage to the national economy or security.

Whatevar the outcome therefore, the disruption the UPS strike has already caused bas put labour's drive to re-earn ita "big label firmly in the public eye. William Gould, chairman of the National Labor Relations Board, the government mediation agency, points out that in the context of a tight labour market the resonance of the part-time work issue may also have given unions the confidence to redouble their organising efforts.

The most significant aspect of the UPS strike could be to energise AFL-CIO affiliates, get them more involved in Sweeney's programme and get them to go after contingent, marginalised employees," be says.



A UPS striker raises a home-made T-shirt at a Teamsters rally in New Jersey

Surinam to probe pyramid scheme

By Canute James in Kingston

Surinam's parliament has ordered an investigation into a pyramid-type savings scheme which collapsed in June after its manager said he could not continue paying promised interest of 120 per cent and could not return his clients' money.

The legislators want tha Roepsingb Ramtahalsingh

to be punished. There is no indication, however, when the government will begin its investigations. Parliamentarians have criticised the government for ignoring warnings from bankers and economists that the scheme

could not be sustained. The interest offered by Mr Ramtahalsingh was six times that offered by local banks. Many customers were Surinamese living in the

Bankers fear the collapse of the scheme could lead to violence in the former Dutch colony of 430,000 people, in north-east South America.

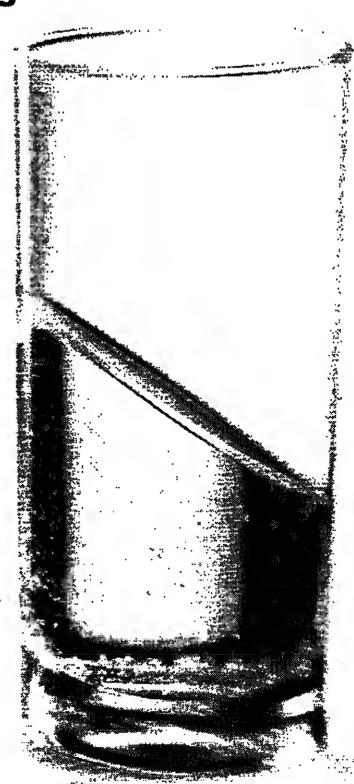
"This situation is still unresolved and people are very angry," one banker said yesterday. "They might do anything and could plunge this country into an Albanian-type civil war." Violence overtook Albania last year following the collapse

Action against Mr Ramtahalsingh so far has been limited to an attack by angry depositors on a supermarket which he owns. It was icoted, and four

people who were arrested in the incident have been released The parliamentarians have

asked Jules Wijdenbosch, Surinam's prasidant, to explain why the government has not acted against Mr of several pyramid schemes. Ramtahalsingh.

seats.



We know how to get you to your destination refreshed. And it's not by splashing mineral water in your face. On our long-haul MD-11s, we are installing new 48° reclining seats in Business Class, up from 27°. Lest the passenger behind you gets his knees crushed: seat pitch grows to a full 47 inches. Which makes it easier to raise the legrest to almost horizontal. So just lean way back and relsx. And hold your glass straight, http://www.swissoir.com

swissair world's most refreshing airline.

INTERNATIONAL NEWS DIGEST

Seven die in

Sidon shelling

yesterday in a shell attack in Lebanon's southern port of

Sidon attributed to the Israeli-backed South Lebanon

An Israeli military source in Jerusalem said: "It is

probably a shelling by General [Antoine] Lahd's SLA to

avenge the killing of the two youths whose father was a

and two wounded when an explosive device blew up a

vehicls in the Jezzine area of south Lebanon hours before

the Sidon shelling. A total of 16 shells landed in Sidon and

its suburbs, forcing residents to abandon the city's main

Agencies, Sidon

The Israeli army said two Lebanese youths were killed

Iran's hardliners to challenge ministers

lranian President Mohammed Kbatami's appointment of several moderates to his cabinet is likely to be challenged by hardliners in parliament today.

Mr Khatami sought compromise in picking his 22man cabinet last week, appointing technocrats and political nominees from different tendencies. But he ministries such as Interior, and Culture and Islamic

Conservative deputies are

By Clive Cookson,

"chaotic" orbit and forcing

the three crew members to

sbut down all equipment

except essential life support

cause was not immediately

known, is the latest in a long

list of breakdowns and acci-

dents that have beset Mir

this year. It occurred shortly

before Mir docked with an

unmanned Progress supply

ship; Anatoly Solovyov, the

station commander, com-

pleted the docking manually.

trol. Mir cannot keep itself

turned towards the sun, so

the solar panels - its main

power source - are no longer

working. Emergency bat-

teries are providing enough

electricity for the crew's

Vladimir Solovyov, bead of

mission control, said the sit-

uation was serious but not

life threatening for the two

Russians and one American

Kathleen Maliga, an offi-

on board.

ssential support systems.

Without the computer con-

The computer fault, whose

Computer

crash puts

Mir in spin

emotionally charged oppositlon to some ministers appointed," said a western diplomat in Tehran. "But it ls very difficult to say whethar they will be rejected.

A vote of confidence in the appointments will be beld after three five-hour sessions expected to end tomorrow.

Analysts and diplomats in Tehran say the ministers included moderates in key who will face resistance include Ataollah Mohajerani, a former vice-president named to the Culture and Islamic Guidance Ministry. which sets the tone of

Islamic rule, deciding on Kamal Kharazi, Iran's envoy idential elections. But while a political platform and does own satellite dishes.

controversial appointee and eratives ministar, who is has been the target of close to the mayor of Teh- dents is uncertain. attacks by hardliners for ran, a strong Khatami ally; having once advocated talks and Hussein Mozafar, the with the US. Since his leftist minister of education. appointment, however, he bas said that the situation haa changed and that he now rejects dialogue with the US.

Other nominees who may face problems include Abdol- hardline Ali Akbar Nateq- tami. lah Nouri, the moderate inte- Nouri, who was defeated by

spent too many years in the

The new president has be dominated by conservatives because deputies last year elected as speaker the

how Iranians dress, what to the United Nations, now the conservative bloc has 110 not care that much about they watch on television and named as foreign minister, out of 270 deputies and the whether they are allowed to who some hardliners say has moderates backing the new president can count on only Mr Mohajerani is the most US; Morteza Haji, the co-op- 100 deputies, the allegiance of the remaining 60 indepen-

According to Bijan Khajebpour, editor of the UK. based monthly Iran Focus, the independents who voted some leeway. Iran'a majlis for Mr Nateq Nouri last year (parliament) is considered to did so because they expected him to become the next presidant, and they may now choose to sida with Mr Kha-

"The average provincial rior minister designate; Mr Khatami in the May pres- deputy in Iran does not have

factional divisions. What he cares about is how to get as much investment and infrastructure as possible into his own constituency," said Mr Khajenpour. "For that reason, for those deputies who are genuinely independent, it is better to side with the government, not with nongovernmental factions.

"If Khatami gets his way it will be a very strong indication that the parliament will work together with Khatami. That will be the manifest

end of conservative rula in

to clamp down on dissent by orchestrating the well

planned attacks, which

began with the killing of six

police and eight civilians on

Wednesday in raids on two

police posts south of Mom-

Residents said those Ken-

yans killed were mainly people who originally came

from outside the coastal

region. They pointed to leaf-

lets, hand-written in Swahili

"The time has come for us

original inhabitants of the

Coast to claim what is

rightly ours. We must

remove these invaders from

our land," said the pam-

phlets, which echoed ethnic

slogans painted on walls and

roads near some of the clash

Land shortage and ethnic

rivalries have led to some of

Kenya's worst political vio-

lence. In 1991, in the run-up

multi-party elections for

politicians began calling for

nearly 23 years, some Kanu

what amounted to ethnically

"pure" homelands and

so-called Kano zones domi-

and distributed in the area.

EGYPTIAN MILITANTS

Army (SI.A) militia.

Islamists killed in raids

former battalion commander in the SLA."

Egypt's main armed Islamic group, the Jamaa Islamiya, vesterday warned of more anti-government attacks following the death of 13 militants and the arrest of 100 others in police raids.

"With the will of God we will pursue our jihad [holy war] against the enemies of God everywhere and we will uproot the roots of corruption and injustice," the Jamaa Islamiya said in a statement received in Cairo.

Al-Ahram, the Egyptian government daily, yesterday reported that police killed 13 militants and rounded up 100 others in a series of raids over the past few days, amounting to the biggest such operation in five years. Among the dead were the "main leaders" of the Jamaa,

as well as men held responsible for the massacre of nine Coptic Christians in a church in the southern province of Minya last February.

ALGERIAN VIOLENCE

Family's throats slit

At least 24 people have been killed in Algerian massacres blamed on Islamic extremists since last Thursday, newspapers reported yesterday.

A family of seven travelling on Friday to Mascara from

the north-west port of Oran was forced to stop at a fake checkpoint by extremists who slit their throats, the Al Khabar daily reported. The killers stopped two other people nearby and also slit their throats, the paper said.

On Thursday, 15 people, including six children and two romen, were massacred by an armed group in Douera, an Algiers slum. In another attack, a home-made bomb exploded on Sunday in central Oran, injuring three people and badly damaging several buildings. It was the first attack in Oran, some 250 miles west of Algiers, since 1995.

Since July 15, 449 people have been murdered in Algeria, according to a toll compiled by AFP from press

■ IRAN-IRAQ RELATIONS

Saddam to allow shrine visits

Saddam Hussein, Iraq's president, is to allow Iranians to visit holy shrines in Iraq from September 4, Baghdad radio said yesterday. Such visits by Iranians were suspended at the start of the 1980-1988 Iraq-Iran

Reuter, Baghdad

Fears grow for tourism after Germany issues warning

Shilling falls as tourists warned

Kenya violence hits shilling

By Michael Holman in London and Reuter

fears that continuing vio-"There were no buman errors," Vladimir Solovyov

When the computer failed a month ago, sending Mir into a similarly disoriented spin, it turned out that one of the craft's previous crew had caused the problem by disconnecting a cable, That mistake was corrected a day

Mission control hopes that Mir's computer will be restored to normal operation this morning. But it has decided to delay - probably by two or three days - the attempt originally scheduled for tomorrow to begin repairing the damage inflicted on Mir by a collision with another Progress supply ship during a docking exercise on

watch carefully but we're not worried," she said.

The main computer on Mir failed yesterday, sending the added. "It was a technical Russian space station into a

Anatoly Solovyov and his flight engineer, Pavel Vinogradov, will try to re-enter the Spektr laboratory module, which has been depressurised and sealed off since the collision, to reconnect cables leading to its solar panels. The third crew memThe Kenya shilling fell to a

lence in and around Mombasa would hit the country's important tourist sector. The bodies of two Kenyan policemen were found yesterday, bringing the toll to at least 35 dead from clashes since last Wednesday, while at Diani beach, a leading resort sonth of Mombasa.

new low yesterday amid

witnesses said yesterday that a workshop and a kiosk were set ablaze overnight. Tbe developments prompted warnings from the German and Italian foreign ministries to their nationals in Kenya. German bolidaymakers were advised not to leave their hotel grounds, while Rome told travellers to

About 100,000 Germans vislt Kenya each year, accounting for nearly a fifth of the tourist trade, the country's largest foreign exchange earner, with gross receipts in 1995 estimated at

avoid Mombasa.

Germany's foreign ministry said they were not advising the several thousand Germans on holiday in Kenya to leave the country, noting that "the violence hasn't been directed towards clal from the US space ber, Michael Foale of the US, tourists and no tourists have agency Nasa, agreed. "We'll will stay in the main station." yet been burt."

But the ministry added: 70.68 to the dollar before "The situation has deterio- recovering to 89.25. The currated considerably...We are advising tourists to Kenya cent since negotiations over not to leave their hotels and an International Monetary follow the instructions of their guides."

Although none of the main botels bas been affected, owners fear a further slump in a sector already hit by competition from South Africa. Tourist numbers fell News of continued violence contributed to a fur- to be held this year. ther weakening in the shilling, which at one point dent Moi's ruling Kenya yesterday fell 1-3 per cent to African National Union

rency has now lost 18.79 per Fund loan collapsed last to the country's first month. Fund officiala blamed the breakdown on the government's failure to take adequate measures to tackle corruption.

President Daniel arap Moi accused opposition leaders from a peak of 676,000 arriv- at the weekend of fanning als in 1994 to 500,000 in 1995, ethic rivalries on the coast, ahead of elections expected Opponents accuse Presi-

nated by the party. The result was a spate of clashes involving firearms, spears,

arrows and machetes. African Rights, the London-based buman rights monitors, said 1,500

NEWS: WORLD TRADE

Toyota to increase car production in Australia

By Elizabeth Robinson in Sydney and Bethan Hutton in Tokyo

Toyota vesterday unveiled plans to expand output in Australia, producing a new luxury family car at its Altona plant in Melbourne from the year 2000.

Harry Okuda, president of the Japanese carmaker, also announced that Toyota's third research and development plant, after Los

ben Mexico threw open its

long distance telecommu

nications market at the

beginning of this year, the country

The change put Teléfonos de México (Telmex), the country's big-

gest private company, in competi-

tion with companies involving

AT&T and MCI. It led to bundreds of

millions of dollars of investment and

better, cheaper services for custom-

ers. And all was made possible, said

analysts, by the government's deci-

sion to institute a clear, open frame-

work where before the monopoly

In a country where institution

building is one of the government's

chief tasks, it was an important step.

Solid institutions have been rare in

Mexican history and the telecommu-

nications reforms, together with lib-

eralisation in the market for natural

gaa, were marked out for special

Now, seven months later, a note of

discord has been soundad. Some

competitors say the sector still suf-

fers from a lack of regulatory clarity.

Deadlines are being missed, decl-

sions are being questioned and a

fledgling institutions may not be as

Nevertbeless, the year-old, aemi-

autonomous Federal Telecommuni-

cations Commission takes pride in

its achievements. More than 6.7m

lines have been opened to long dis-

tance competition in aix months, a

of its share of the \$4bn long distance

strong as first it seemed.

carrier had held sway.

was showered with praise.

be in Australia.

John Howard, Australia's prime minister, said Toyota's investment "represents large-scala and long-term investment ln Australia's manufacturing industry". Last week, be outlined a more interventionist industrial policy, hinting certain two months ago to dismantle try's demise and promised sectors such as technology and telecommunications would receive assistance.

Telmex (74.2)

commission president. "We carried

out the calendar for long distance

liberalisation on time and I think we

will carry out the calendar for local

some aspects of the process. Avantel,

a joint venture between MC1 and

Mexico's biggest bank, Banamex,

has found corporate life in Mexico

hard going for its plain spoken.

ment for any preferential treat-

asking them to implement the law."

Avantal's complaint is that Tel-

will probably be the most deregu- to supply circuits needed to link it connect with any one of the seven

lated telecommunications market in with prospective clients. Because of competitors aimply by dialling a the world," said Carlos Casasus, the the delays, says Mr Crawford, Avan-three digit access code. But in the

"We are not asking the govern-

largely US trained executives.

However, one of the main new-

service on time as well."

In this particular case, Mexico's comers is full of complaints about

record-breaking feat. As a result, ment," said Dan Crawford. Avantel's

Telmex has lost at least 25 per cent chief operating officer. "We are just

"By the end of this year, Mexico mex has intentionally taken its time

Angeles and Brussels, would Trades Industry Association ment to consider taxation reform and investment incentives. Mr Howard said the government would shortly be responding to the suggestions.

He said Toyota's investment vindicated his decision iffs could lead to the induscar tariffs gradually from new investment and extra 22.5 per cent to 15 per cent by 2000 when they would be Last week, the Metal frozen until 2005. The gov-

Mexican telecoms rivals cry foul

New entrants to the liberalised market are complaining at Telmex's tactics

Mexican telecommunications market share

(MTIA) urged the govern- the commitment by the Asia- of predictability and cer-Pacific Economic Co-operation Forum for free trade by 2010 but resisted making immediate large cuts in tar- after 2000." About 50 per

in June, carmakers in Australia warned that lower tarjobs if tariffs were maintained. Mr Howard said yesterday: "We recognised that

Alestra (14.3)

Avantel (10.7)

(ATAT stakehokáno)

tel has lost over half the orders it

once had for private lines, perhaps

the highest volume segment of all its

Telmex says it was Avantel that

erred in underestimating demand.

Carlos Slim, Telmex's chairman,

retorts that if Avantel does not like

his company's service, it should

Avantel also has a suit pending

against a decision obliging the vari-

ous carriers to contribute \$423m to

Telmex for its work to connect them

to its network. Avantel says much of

the work benefited only Telmex, and

has won an order relieving it from

Next month, users throughout the

country are supposed to be able to

build its own local network.

the need to pay at present.

ernment is aiming to meet in the interim a great degree tainty were needed, and that was the foundation of the decision to hold tariff levels cent of cars sold in Australia

are imported. MTIA said yesterday that both Mr Howard's review of industrial policy and Toyota's commitment to expand in Australia would give the country "good investment vibrations".

absence of any agreement - or com-

mission ruling - about who should

be responsible for billing customers,

the change is unlikely to go ahead

"We need a basic agreement with

Telmex before wa can go ahead with

this," says Jorge Escalona, chief

executive of Alestra, a joint venture

involving AT&T and the industrial

conglomerate Grupo Alfa, "Imagine

going into this if you do not have

any agreement. You do not know

how - or if - you can get your

Another central part of the liberal-

isation process is an auction, sched-

uled for October, of wireless frequen-

cies for local service. The plan is to

break Telmex's de facto local monop-

oly by allowing companies to use

technologies that should bring costs

down. Yet bere too there are worries

Mr Casasús says that though some

preliminary deadlines have slipped,

the first of the anctions is still on

time for bids to be submitted as

scheduled. He has, however, prom-

ised the auctions in the "near

future" at various points throughout

situation of perfect information,

where the process is completely free

of problems. But these are relatively

minor disputes," says Mr Casasús.

"In the US, it has been over a decade

since the telecommunications mar-

ket was opened to competition and

Telmex executives agree. A year

after announcing its intentions to

provide a service for Hispanics

within the US, their company is still

waiting for permission from the Fed-

eral Communications Commission.

similar problems remain."

"We are never going to arrive at a

money back."

about delays.

the last two years.

duced at Altona will be Toyota's Kentucky plant production will be 20,000 units for the domestic market, starting in 2000. Additional production for export is likely but Toyota would

Toyota bas invested around A\$1.8bn (US\$1.3bn)

The new V6 car to be pro- in Australia over tha past decade. Osamu Komori, presbased on the Avalon model ident of Toyota Australia, which has been made at said no to another A\$1bn could be invested by 2005. since 1995. Initial annual Toyota has continued expanding overseas production even after the yen has weakened.

Earlier thia year, it announced plans for a second factory in the Philip pines, a further factory in Thailand and expansion in

not comment on export tar-Argentina.

DVD Forum stands by its disc format

The DVD Forum, a group of 10 consumer electronics companies, said vesterday it would "vicorously propose" the adoption of its format for DVD-Ram, the next generation of computer and audiovisual data storage discs.

Fears of a "format war" over recordable DVD - digital versatile discs - grew last week when Sony, Philips and Hewlett-Packard said they planned to produca optical discs similar to DVD-Ram in a different format to the one being developed by the DVD Forum.

The DVD Forum yesterday disclosed details of its disc format in a proposal to the European Computer Mannfacturers' Association, an international standardisation organisation, ahead of an ECMA meeting in Kobe The DVD-Ram Format

Version 1.0 is a rewritabla disc with a storage capacity of 2.6 gigabytes on a single side. The forum said it tried to satisfy tha desires of computer manufacturers and other users, and to ensure expandability to the next generation of discs with a 4.7 gigabyte capacity. Sony and Philips were

still named on the list of to PD technology devcompanies supporting the eloped by Matsushita, Sony Daniel Dombey format, despite their said.

The DVD Forum will use the ECMA meeting to demonstrate the format'a com-

patibility with the various DVD disc formats, it said. Sony and Philips claimed last week that their disc format was more easily compatible with existing DVD drives. The forum will also promote its format to other

international standard-isation organisations, it said. Sony said yesterday that it saw its rival disc format as purely for use as a computer peripheral, not for audiovisual use. One possible use for the DVD Forum's proposad disc is as a highquality alternative to video cassettes for home recording of films and television pro-

"Sony is still very much is involved in the discussions that are taking place. However, at this stage we have no plans to launch any products related to the DVD-Ram format version 1.0," the company said yesterday.

The disc which Sony, Philips and Hewlett-Packard plan to produce is based on technology more compatible with existing rewritable CDs, while the DVD Forum's disc is more similar

hormone

World Trade Organisation yesterday released a final report confirming its ruling that the eight-year European Union ban on meat produced with growth-promoting hormones was an unfair trade barrier.

It was already known that the US and Canada, which brought the complaint, had won the dispute, and the EU has said it will appeal. However, the details of the finding had not been made pub-

The beef hormone case was the first brought under the WTO's Sanitary and Phytosanitary Measures agree ment. This requires countries to base food safety measures on scientific evi-

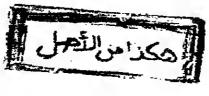
"We are concerned that the report's conclusions limit the right of governments to determine the level of protection which they deem to be appropriate for their consumers," said Ella Krukoff, EU spokesman in

Washington.
When the EU imposed its politically popular ban on meat treated with six hor-mones in 1989, it cut off virtually all of US beef exports to the EU, worth \$100m a year. The EU has never been able to produce scientific evidence for the ban.

According to US trade officials, three of the six hormones are naturally present in all meet and all people. part of the DVD Forum, and Independent exports of the Codex Alimentarius Commission, designated to advise the WTO on such issues, reviewed five of the hormones and concluded they were safe. The sixth is

rarely used.

"This is a sign that the WTO dispute settlement system can handle complex and difficult disputes where a WTO member attempts to justify trade parriers by thinly disguising than as health measures;" said Charlane Barsheisky, US



Bank chief Indonesia able to ride out the storm

plays down **HK\$** threat

By John Ridding in Hong Kong

Currency speculators who took positions ngainst the Hong Kong dollar last Friday were yesterday unwinding their positions, according to Joseph Yam, head of the Hong Kong Monetary Anthority (HKMA), the territory's de facto central bank.

Insofar as Friday's events are concerned I think we have won the game, with the help of hanks pushing up interest rates," Mr Yam

The HRMA chief said the Hong Kong dollar was returning towards levels of HK\$7.742 to the US dollar in early London trading, compared with a low of HK\$7.75

Economists and traders said Friday's moves against the Hong Kong dollar could signal an assault against the currency, the last in Asia to be linked to the US dollar.

Chi Lo, regional economist at Deutsche Morgan Grenfell, said: "There will definitely be pressure on the Hong Kong dollar. Some the Hong Kong dollar lay in investors would like to test the hands of Hong Kong investors would like to test the resolve of the HKMA."

territor Allin

all or shrine's

horm

ruid

But Mr Yam played down the threat to the currency, no significant change in the describing the speculation as relatively small-scale and limited to deals of US\$20m-

ket interest rates had been a currency depreciations in natural move reflecting south-east Asia, but the hanks' decisioos to take a Impact would be limited by defensive posture before the the structure of the territolong holiday weekend and the uncertainty in Asian cur- line that financial services rency markets.

pegged at HK\$7.80 to the US he added. dollar in 1983, remained very Currencies, Page 19; World stable. "It is not until you Stock Markets, Page 30

get to the fourth decimal point that you see any fluctuation," he said, citing the 30 per cent depreciation of the Thai baht as a compari-

Mr Yam warned of measures that could be taken against speculators. Institutions which speculated against the dollar in an attempt to destabilise the currency would be harred

for the HKMA, he said. The HKMA chief also warned banks against providing funds for currency speculators.

from acting as fund manager

The monetary authority, which acts as lender of last resort, had discretion to charge high interest rates to banks requiring funds for clients taking a sbort position on the Hong Kong dol-

"I reserve our right not to apply the offer rate of 6.5 per cent. We have the discretion to charge a higher, lower or much higher rate. possibly 12 per cent or even 60 per

cent. Mr Yam said the fate of depositors rather than speculators, and there had been proportion of Hong Kong dollar deposits as a result of the regional currency crisis,

Hong Kong's competitive-Friday's sharp rise in mar- ness would be affected by ry's economy, "I would imagwould be rather insensitive The Hong Kong dollar, to exchange rate changes,"

here would have been some economists holding their breath holding their breath as indonesia's stock market fell 8 per cent in early trading yesterday in response to the double blow of an unexpectedly large fall in the rupiah and a global equities decline.

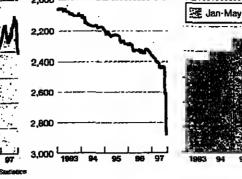
Jakarts has been the favoured economy among regional analysts this year, starting with a tighter than expected budget in January and capped by surprisingly strong trade figures for May released two weeks ago.

But with overnight interest rates nudging 100 per cent again yesterday as the rupiah fell more than 20 per cent for the year and the government talking of continued tight monetary policy to defend the rupiah, floated after the government was forced to abandon its intervention bands last week, the market is suddenly full of negative perceptions.

In Indonesia these percep tions can run a wide gamut from weak banks and poorly bedged foreign borrowing to a notoriously opaque political process.

"The government really needs to come out with some sort of event like a new deregulatory initiative to put a floor under this," says a for- land has been Indooesia's broker who has seen market rent account deficit with an gross domestic product.

Indonesia: bruïsed Rupiah against the dollar Jakarta SE composite Rupiah per \$



corrections in several coun- increasingly strong flow of direct foreign investment tries says yesterday's evenrather than short-term offtual 3 per cent fall in the stock market was unique as shore borrowing. it was driven by external fac-Direct foreign investment

financed 80 per cent of the tors such as tight regional liquidity and the Asian cur-rency turmoil rather than current account deficit last year and Neil Saker, SocGenany fundamental change in Crosby regional economist. also argues: "The investment that comes in tends to many regional economists. he much higger (than in drought and so upturn in wbo say that Indonesia some neighbours) and less remains in much better likely to be cancelled."

In spite of its high foreign debt of \$114hn, which will now be much more expensive to service, Indonesia's current account deficit is declining export prices, still not expected to rise Indonesia's current account much above the government deficit outlook received an eign banker. But one stock- capacity to finance its cur- forecast of 4 per cent of unexpected hoost only 2

Indonesia does face some short term trade problems as the depreciation flows into imports hefore it henefits exporters, although imports are a considerably smaller proportion of the economy than in Malaysia.

Indonesia's concerns focus on inflation, which appears to be more problematic. A growth threatens the surprising low annualised inflation rate of 5.1 per cent.

After concern earlier in the year that export growth was being threatened by

ger than expected trade figures for May. They showed a substantial widening in the cumulative trade surplus for the year so far to \$3.3bn, compared with \$2.1hn the previous year and Jakarta economic sources say the trend continues into June.

Rajeev Malik, regional economist with Jardine Fleming, says that in spite of the government's strong public signals about tighter mouetary policy to support the rupiah, the central bank will follow the path of its counterpart in Malaysia and restrain interest rate increases at the expense of a veaker currency.

Mr Malik says the focus on overnight interbank rates has overstated the degree of real credit tightening in Indonesia, where the far more modest interest rate February high of 3,447 rises in the central bank's main securities are more important indicators. "This is more a case of a temporary short-term liquidity issue," he says, adding that forecasts to 12 per cent this be has not varied his economic growth projection from about 7.5 per cent.

SucGen-Crosby's Mr Saker also argues that Indonesia has greater capacity to hounce back from the large falls in the stock market and currency, although be bas sbayed his growth forecast weeks ago with much stron. 0.5 percentage points to 7.5

Share prices on the Philippine Stock Exchange fell 3.3 per cent yesterday as the dollar, writes Justin Marozzi in Manila. Following the 1.8 per cent slide on Friday, the index closed at 2,368.67, its lowest in 21 months. The index has shed 12 per cent of its value in the past seven trading days. Uncertainty over the peso and other sonth-east

Asian currencies amid the

recent hout of speculative

attacks, bas left investors

wary of the Manils market Colbert Nocom, head of research at ING Barings in Manila, said he expected the market to trade at between 2,200 points and 2,500 points for the next three to six months, down on its points, "Most first-balf earnings results have heer very disappointing and l think people will start downgrading growth year." he said. World Stocks, Page 30

tighter credit. But this pales besides the more significant cuts in growth projection being factored in for hoth Thailand and Malaysia.

Greg Earl

Consensus forecast puts Thai growth rate at 1.9%

By Peter Montagnon, Asia Editor,

Private sector forecasters have slashed their expectations of growth in Thailand to just 1.9 per cent this year and sharply raised their predictions of inflation to 6.6 per cent in the wake of the country's currency crisis. A survey of forecasters by Con-

sensus Economics, which monitors predictions by leading international banks and investment companies, shows a sharp deterioration in the outlook over the last three ment, while the lower baht is push end of November while the Philip The best performance is predicted per cent in 1996.

months. In May average forecasts ing up import prices, Consensus pine peso could drop by 1.7 per to come from the Malaysian ringgit were 5.6 per cent for growth and 4.4 per cent for inflation.

Indonesia's economy.

region-wide crisis.

This view is backed by

shape than, for example,

Thailand, whose fragile fun-

damentals precipitated the

between Indonesia and Thai-

One important difference

Moreover, growth will pick up very slowly to 2.3 per ceot next year while inflation will accelerate to 7.8 per cent, the survey suggested, making the Thai economy much the most serious lasting casualty of this bout of Asian currency weakness. Last year Thailand's economy grew 6.7 per cent and inflation was 5.9 per cent.

High interest rates will continue

Economics said. The growth forecast might be lower still without Thailand's recent Internstional

Monetary Fund package. The survey shows growth expectations for other Asian countries have been cut more modestly, but it says economists expect only a small recovery in Aslan exchange rates over the next year.

in the short run private sector economists expect the Thai baht to fall a further 2.9 per cent against to depress consumption and invest- the dollar between now and the

Malaysian ringgit should recover recover only 1.3 per cent, it says. 3.1 per ceot and the Indooeslan

rupiah by 0.7 per cent. A consensus forecast of no change in the Houg Kong dollar's exchange rate show the economists ago and 8.2 per cent in 1996. The concerned dismiss suggests that its forecast for Indonesia is little currency peg could come under successful speculative attack.

But there will be little strengthening of Aslan exchange rates over

cent from its rate on August II. with a rise of 4.6 per cent hy But over the same period the November 1998. The Thai baht will

Coosensus expectations for Malaysian growth this year have heen shaved to 7.8 per cent compared with 8 per cent three months changed at 7.4 per cent, though the survey was conducted before last week's slide of the rupiah. The Philippines is now expected to grow at the next year, the survey shows. 5.6 per this year compared with 5.7

N Korea power project starts

International it describes as "a major milestone" today when it formally breaks ground at its sary legislation. site in Kumho on the coun-

try's east coast. Stephen Bosworth, executive director of the Korean an alternative energy source Peninsula Energy Development Organisation (Kedo). said the move marked the end of polltical negotiations and the start of serious work on the project, which the

over \$4hn.

while the nuclear power facility was constructed.

Japan are the main share-

put up the hulk of the funds, source of weapons-grade pluhad yet to pass the neces-Kedo was living from hand

to mouth to provide North The US, South Korea and

holders in Kedo. The consortium was European Union, whose

But he warned in an inter- exchange for a freeze on would help finance the pre-

tonium.

Mr Bosworth said the oil supplies were now helng financed on supplier credit Korea with heavy fuel oil as collateralised by member Pyongyang's submarine governments' future contrihutions to Kedo. "It would not be sound financial management to do this much longer," he said.

industry expects to cost well formed in 1994 to offer North membership will be formal-Korea safe power in ised in the next few weeks. capable of housing about 2,000 site workers at a cost of some \$30m-\$40m.

The project was delayed for several months after Contributions from the constrained by lack of resources

incursion into South Korea last year. There had been no direct impact from North Korea's food shortage, he said, but the country was

the collapse of the 1980s property US was 35.7 per cent higher in June, related hubble, the 10th month of increase.

Japanese see land values fall However, in a sign of the 5trength of other components of Japan's economy. Is temporary, caused by the govern-Land prices in Japan have fallen for and the lon-sided nature of the coun ment's decision to raise consumption

Overseas sales jumped 12.1 per cent in the year to July, compared with a Average land values in Japan were 3.4 per cent rise in imports, leaving 8.3 per cent lower at the start of this the overall trade surplus 69.7 per cent higher than a year before at Y849.08hn (\$7.2hn). This was the fourth consecutive monthly expansion.

The surge in the surpins has left some economists fearing renewed trade tensions with the US. The politidomestic economy, in the aftermath of cally sensitive trade balance with the the 10th month of increase.

Japanese officials insist the npsurge consortium preparing to supply Nurth Korea with safe nuclear power reaches what and Japan, which are due to have provided it with a tion and huilding a town domestic ecocomy, and the "lop-sided" nature of the country's economy.

The weak picture in the property market could add to this, since it fuels pressure on companies in domestic sectors such as construction and hanking, which are exposed to property.

Yesterday's annual survey of roadside properties showed the fastest rate of decline in land prices last year occurred in Tokyo and Osaka, where prices fell 10.5 per cent and 8.3 per cent respectively.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly ligures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	III UN	TED	STATE			S JAP	AN				S GER	MANY	,		
	Conggree	Producer prices	Earnings	Link labour costs	Real cochange rate	Consumer	Productor prices	Earnings	Costs Inhour	Red exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Read externe rate
1986	101.9	98.6	102.1	99.9	85.0	100.8	96.3	101.4	102.7	118.5	99.8	97.5	103.6	103.8	107.5
1987	105.6	100.7	103.B	98.4	76.1	101.3	92.5	103.1	100.0	122.9	100.1	95.0	107.8	107.1	111.0
1988	109.8	103.2	106.8	100.2	71.0	102.3	92.8	107.8	96.0	131.0	101.4	96 2	112.8	106.8	110.0
1989	115.2	108.5	109.9	101.8	74.9	105.1	94.2	114.0	96.8	123.5	104.2	99.3	117,1	109.0	107.6
1990	121.5	113.9	113.5	104.9	73.2	108.3	96.7	120.1	99.7	108.2	107.0	101.0	123.5	110.3	110.0
1991	126.6	116.3	117.3	108.4	74.1	111.9	98.8	124.2	103.8	113.2	110.9	103.4	131.3	109.7	107.6
1992	130.4	117.7	120.1	106.3	74.0	114.0	95.8	125.6	112.8	114.5	116.5	104.8	138.2	115.4	110.1
1993	134.3	119.2	123.1	108,2	76.4	115.4	94.3	125.8	118.8	131.8	121.7	105.1		118.3	111.4
1994	137.8	119.8	126.5	108.0	74.2	116.2	92.6	128.4	118.5	137.4	125.1	105.7	150.8	111.7	109.8
1995	141.7	122.2	129.7	108.3	68.7	115.9	92.0	132.5	115.8	138.3	127.4	107.5	155.8	110.7	114.9
1996	145.8	125.4	134.0	108.1	73.3	115.8	91.3	135.8	113.3	118.6	129.3	107.1		109.6	109.9
3rd qtr.1996	2.9	2.9	3.3	-0.1	73.5	· 0.0	-0.8	4.6	-4.0	117.7	1.5	-0.6		-2.7	109.9
4th qtr.1996	3.2	3.0	3.5	-0.5	74.3	0.1	-0,6	2.0	-3.4	114.0	1.4	-0.3		-4.5	107.9
1st qtr.1997	2.9	2.1	3.6	-0.1	77.9	0.0	-0.3	5.2	-5.0	110.0	1.7	8.0		-5.8	106.3
2nd qtr.1997	2.3	0.3	2.8		78.0	1.5	1.7	2.5		114.B	1.6	1.1			105.0
August 1996	2.8	3.0	3.5	0.1	73,1	0.0	-0.7	7.9	-2.6	118.5	1.4	-0.7	n.a.	-4.0	110.5
September	3.0	3.0	3.4	0.4	73.B	-0.4	O.B	3.0	-4.0	118.8	1.4	-0.B	r.a.	-2.0	109.2
October	3.0	3.1	3.3	-0.4	74.2	0.0	-0.8	2.8	-4.4	114.6	1.5	-0.3	na.	-3.9	108.0
November	3.3	3.0	3.6	-0.9	73.6	0.1	-0.6	2.5	-3.0	114.0	1.4	-0.3	n.a.	-4.9	108.4
December	3.3	2.8	3.7	0.3	75.0	0.2	-0.4	1.4	-2.8	113.3	1.4	-0.3	n.a.	-4.9	107.4
January 1997	3.0	2.5	3.0	-02	76.5	0.0	-0.4	8.8	-6.8	111.3	1.8	0.7	n.a.	~4.B	106.8
February	3.0	2.2	3.5	0.0	78.3	0.1	-0.3	3.1	-2.1	109.1	1.7	0.6	n.a.	-7.B	106.1
March	2.8	1.5	4.3	-0.2	79 .1	0.0	-02	2.7	-6.0	109.4	1.5	0.7	n.a.	-5.0	105.8
April .	2.5	8.0	2.8		79.3	1.2	1.8	2.8	-3.1	109.3	1,4	0.9	n.a.	-5.9	105.4
May	2.2	0.3	3.0		77.8	1.4	1.7	2.9	-5.1	114,4	1.8	1.1	n.a.	-4.0	105.3
June	2.3	-0.1	2.7		78.B	1.9	1.8	2.1		120.3	17	1.4			104.3

May	2.2	0.3	3.0		77.B	1.4	1.7	2.9	-5.1	114,4	1.8	1.1	n.a.	-4.0	105.3
June	2.3	-0.1	2.7		78.B	1.9	1.8	2.1		120.3	1.7	1.4	n.a.	-4.0	104.3
July	22	0.2	27			1.4					1.8		n.a.		.04.5
	B FR	ANCE				S ITALY					M UNI	M			
<u> </u>	Consumer	Producer prices	Earnings.	Veit Inhour costs	Real techange rate	Consumer prices	Producer Prices	Eurologe	costs isbour Unit	Real exchange rate	Comment	Producer prices	Earnings	Ueit labour costs	Rosi exchange ratio
1986	102.5	98.0	104.5	101.5	103.4	105.1	99.4	104.8	102.6	101.3	103.4	101.4	107.7	103.8	94.3
1987	105.8	98.1	107.B	103.0	104.8	111.0	102.2	111.6	105.5	102.2	107.7	104.9	118.3	106.2	94.7
1988	106.8	102.9	111.5	104.1	102.2	116.5	105.7	118.4	109.7	101.0	113.0	108.7	126.2	108.8	102.0
1989	1 12.6	108.2	115.8	105.2	99.8	124.2	112.0	125.8	112.3	105.3	121.8	113.8	137.2	114.1	100.6
1990	116.5	107.1	121.5	109,6	103.0	131.7	116.2	134.7	118.B	112.0	133.3	121.0	150.1	121.8	101.5
1991	120.2	105.9	127.1	113.4	100.8	140.3	120.0	147.9	129.5	113.2	141.2	127.5	162.4	127.9	104.5
1992	123.1	104.3	132.3	115.6	104.a	147,7	122.3	155.9	134.5	106.6	146.4	131.5	173.1	128.2	101.0
1993	125.6	101.6	1356	118.1	106.7	153.9	126.9	161.6	136.9	95.3	148.7	136.7	160.9	127.6	93.2
1994	127.7	102.7	138.2		106.2	160.0	131.8	167.0	138.1	93.4	152.4	140.1	189.5	127.1	94.2
1995	130.0	109.7	141.5		109.2	168.8	142.0	172.2	138.1	90.4	157.8	146.0	198.0	131.7	90.8
1996	132.6	105.8	144.9		106.3	175.0	144.7	175.3		102.0	161.5	149.8	206.8	137.3	93.7
3rd gtr.1996	1.9	-5.2	2.6		105.2	3.5	0.4	1.7	0.7	102.7	22	2.1	4,5	4.6	93.0
4th qtr.1996	1.7	-3.9	2.6		105.9	2.7	0.8	1.6		104.8	2.8	2.0	4.6	3.5	99.5
1st qtr.1997	1.ā	- 2.6	3.0		103.5	2.4	1.0	3.9		104.1	2.7	1.2	4.4	2.5	105.7
2nd qtr.1997	0.9		2.7		102.9	1.8	1.1			102.0	2.7	1.0	4.2	2.8	108.4
August 1996	1.6	n.a.	n.a.	n.a.	108.1	3.4	0.4	1.8	na.	102.2	2.1	2.1	4,5	5.2	92.2
September	1.6	n.a.	n.a.	n.a.	106.2	3.4	0.5	1.3	n.a.	103.2	2.1	22	4.7	4.5	93.7
October	1.8	n.e.	n.a.	n.a.	106.5	3.0	0.7	1.5	n.a.	104.8	27	23	4.0	3.6	96.1
November	1.6	n.a.	n.a.	n.a.	105.9	2.6	0.8	1.5	n.a.	104.3	2.7	2.1	4.7		
Décember	1.7	п.а.	п.а.	n.a.	105.1	2.6	0.9	1.8	nа	105,5	2.5	7.8	5.1	4.0	100.2
January 1997	1.8	n.a.	n.a.	n.ā.	103.4	2.8	0.9	3.9	na	106.2	2.8	1.5		29	102.5
February	1.6	n.a.	n.a.	n.a.	103.5	2.4	1.3	3.8	n.a.	103.8	2.7	12	4.2	2.7	104.9
March	1.1	n.a.	n.a.	n.a.	103.8	22	0.9	4.0	n.a.	102.1	2.8		4.8	26	106.2
April	0.9	n.a.	na	n.a.	103.4	1.7	8.0	3.9	n.a.	102.1	2.4	1.0	4.3	2.3	106.1
May	0.8	na.	n.a.	n.a.	103.0	1.8	1.1	3.8	n.a.	102.1	2.8	8.0	4.0	1.5	108.2
June	0.9	n.a.	n.a.	п.в.	102.2	1.4	1.6		n.a.	101.8	2.8	1.0	4,3	3.5	107.8
July	10	n.a.	n.e.	n.a.		1.8	. 1.0			101.0	3.4	1.1	4.3	3.3	109.1
		11.42.	14.64	1		1.0			n.a.		3.4	1.4			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF Sources, and by JP Morgan, New York Consumer prices: not seasonally adjusted, LIS - Enished goods, Japan - manufactured goods, Germany - indicatival products, France - referredate goods, Italy - total products prices. LIK - manufactured products, Earnings index not seasonally adjusted, refers to semings in manufacturing except France and Italy traps rates in industry). However, and LIK treatment in the seasonally adjusted, measured in domestic currencies, Germany - mining and manufacturing, other countries - manufacturing industry. Peal exchange rate: JP Morgan real effective exchange rate index versus 18 industrial country currencies.

year compared with 1996, according to the annual government survey of road-

the "hubble era", it emerged yester-

By Gillian Tett in Tokyo

side residential land. The drop, which is believed to have continued in recent months, blghlights the pressures on parts of Japan's

ASIA-PACIFIC NEWS DIGEST

Japanese banks press for reform

Japan's top 10 commercial banks have submitted 39 demands to the government calling for speedier introduction of "Big Bang" financial reforms, amid fears they could be at a disadvantage against foreign competitors. A growing number of foreign groups are seeking to expand in Japan. The country's banks are also demanding greater freedom to expand into new husiness sectors, and privatisation of the postal savings and insurance system.

The unusual lohhving highlights the growing political and commercial pressures that Japan's planned reforms are triggering behind the scenes of government, not least because the reforms are threatening to pit competing industry interests against each other.

The first significant "Big Bang" step is due next April. with most changes phased in over five years, according to a timetable unveiled in June. This is because some financial sectors, such as insurance, are fiercely opposed Gillian Tett. Tokyo to rapid reform.

■ JAPANESE CONSTRUCTION

Payments overdue add to woes

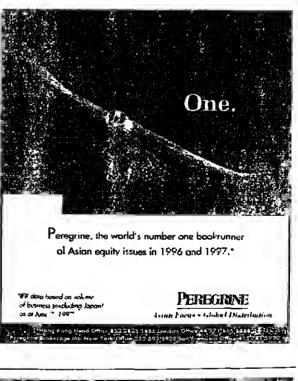
Japanese construction companies, struggling under the burden of buge dehts and loan guarantees to property developers, also face not being able to recover more than Y5,530bn (\$47,2hn) in payments overdue, according to a private credit research organisation. In the year to March 1997, payments owed to 114 Japanese construction companies for completed work amounted to Y5,530bn. of which 20 per cent, or Y1,110hn, had been due for over a

year, Teikoku Data Bank said in a recent report. The industry's predicament has been highlighted with the failure of two publicly quoted construction companies and last week's announcement that Mitsui Construction will receive the support of other Mitsui group Michiyo Nakamoto, Tokyo

SINGAPORE DEFAMATION

Opposition leader on trial

The leader of Singapore's embattled opposition Workers' party went on trial yesterday in a defamation suit brought by the prime minister and 10 other government leaders. J.B. Jeyaretnam is being sued for a statement made in a campaign rally during elections in January, that his party colleagues had filed police reports against Goh Chok Tong, the prime minister, and "his people". Under Singaporean law, Mr Jeyaretnam can be sued for





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Coal mine to close after only 2½ years

By Simon Holberton, in London

RJB Mining, Britain's biggest coal miner, yesterday closed the Asfordby colliery conceived by the previous Labour government in 1977 to underwrite the future of the coal industry into the next century.

The company said it faced geological difficulties which made it impossible to maintain safe and economic mine operations at Asfordby in the English Midlands. It produced 700,000 tonnes of coal last year of RJB's total production of 37m tonnes.

Richard Budge, RJB's chief executive, said everyone had tried hard to beat the geological difficulties at Asfordby, a mine that has absorbed public and private investment of about £360m (\$586.8m), It was with "considerable regret" that the company and its workforce had "to accept that we can-

safe working environment for our workforce", he said. His view was immediately challenged by Neil Greatrex, president of the Union of Democratic Mineworkers. He said the mine could be saved if RJB spent a "few million pounds" on investment, and he called on the government

"The Lahour government helped them get where they are," he said, "I think that if nothing is

to intervene.

done, then by the year 2005 the coal industry in Britain will be finished." Aides to Tony Blair, the prime minister, ruled out government ating losses of £16.3m in 1995 intervention to help save and £19.9m in 1996. It Asfordby. "It is entirely a matter for

the commercial company involved," it said. John Battle, science, an area that bad only energy and industry minis- recently been vacated by ter, said the closure of the miners.

not sustain economic mining mine was a "great disapoperations while providing a pointment". He pledged to use government resources to ensure a future for British

Mr Battle said the government was doing all it could to bring together the science and technology and energy departments' efforts to develop clean coal power stations. Clean coal technology is more efficient and produces lower emissions of polahonld back us up as we lutants, but it is more expensive than conventional coal technology and requires a

> Since coming into production in April 1995, Asfordby has produced 1.5m tonnes of coal. The colliery made operrecorded a small profit in the first six months of this year. Last week the mine suffered widespread flooding in

subsidy to get it running.



Bill Rowell, managing director of RJB Mining, explains why the Asfordby pit is to close

Toll plan may be road to trouble

nvironmentalists are planning to mount a legal challenge to the government's £400m (\$652m) plan to build the UK's first

toll-paying motorway. Officials of the Friends of the Earth organisation will meet lawyers this week to plan a legal battle against the privately financed Birmingham northern relief road, designed to reduce congestion on the M6 motorway which links the English midlands to the Scottish border.

The environmental group bopes legal delays will deter investors from financing the road, when the government is also reviewing its transport policy. It believes it can capitalise on strong local opposition to the road and development in the region's green helt

The road - to be opened in 2003 – will pass less than 3km from the site of a planned £1.5bn semiconductor plant on farmland north of England's second-largest city. Earlier this month. John Prescott, deputy prime

'Green challenge' threatens both motorway scheme and inward investment opportunity

plant because of the loss of almost 60ha of green belt developments, the governland. Green belt areas are supposed to he protected from development to avoid the spread of conurbations. Local members of the

opposition Conaervative party bope the two developments will form a springhoard for their political recovery in middle England. Sir Norman Fowler, the party's chief environment spokesman, is one of only two Conservative MPs left in the Birmingham area.

Although the plans for a another government-backed semiconductor plant were drawn up under the Conservative government. Sir Norman is now considering a legal challenge to the plant. which is close to the heart of his Sutton Coldfield constituency.

In the case of the toli road, Labour party in the region have objected to the governinspector's report which ment's decision, after cam-

in opposition, But, with both ment has given its backing to local business leaders, arguing that the regional economy is more important than the environment.

Manufacturers north-west England and west Midlands are expected to benefit most from the two plans, Birmingham Chamber of Commerce describes the long traffic jams on the M6 motorway - which last up to 12 hours a day - as "an enormous economic and environmental hurden".

nt it is the semiconductor plant which has attracted most optimism, with the prospect of up to 4,800 jobs in a new industrial sector in the region. In an area which is dominated by traditional MPs from the governing metal-based engineering -particularly the automotive sector - the chance to estab-

rejected the semiconductor palgning against the project manufacturing has been chased for aeveral years. Birmingham's Lahourdominated council, which owns the site for the proposed plant, says it is prepared to sacrifice the city's green belt only for such an

important economic project. Gerard Coyne, the council's economic development chairman, says: "Coming fast on the heels of the northern relief road, it must seem as if we are wiping out huge swathes of the green belt. But the essential importance of [the development] is to attract a key player in the potential growth sector of the next 10 or 20 years.

"There was an absolute economic necessity for a one-off project, and I am firmly convinced that in Birmingham this will be the only one-off."

Philips, the Dutch electronics group, is the front-runner to invest in the site. But inward investment lish a foothold in high-tech experts at West Midlands

Development Agency say that up to a dozen potential investors are seeking such a site. Their confidence is based on the enthusiasm of Siemens of Germany to build its £1.1bn semiconductor plant in the region. A lack of suitable sites meant the project was transferred to north-east England.

But the Birmingham region's green belt remains attractive, largely because it commands a full range of UK grant aid as well as access to one of the largest regional aid funds in the EU. For Paul Richards, chief executive of WMDA, the Siemens experience proved that large investment projects, particularly in electronics, could be attracted only by land which was unavailable in urban areas.

He says: "The advantage of [the proposed site near Birmingham] is that the ownership is in the hands of the local authority, and they can keep it green until they find the right project." ...

Richard Wolffe Editorial Comment, Page 11

By Peter Marsh in London

Makers of printed circuit boards are being hit by a makers in his group have spate of legal claims from recently been faced with customers that the items are defective and threaten the operation of their own prod-

Printed Circuit Interconnection Federation, the main ruptcy.
UK trade body for the industry, arranging a special a result of specific quality insurance package for its memhers to protect them- industry - which since 1990 selves against beavy finan-

companies against "consefaulty is being offered by Zurich Insurance, the large Swiss-hased insurance higgest customers for PCBs group. The policies are are multinational companies being arranged hy Gemhridge, a hroker based in Coventry in the Midiands. np to £500,000 (\$815,000) and typically add an extra 10 per cent to a company's general business insurance.

According to Brian Haken, the federation's director. roughly half the 140 PCB claims for damages arising from faulty components. In some cases, the claims can amount to more than The claims have led to the £100.000 and can threaten a small company with bank-

The claims are not seen as problems in the UK's PCB has doubled annual ontput to about £600m and has a The package to protect good productivity record. PCBs are increasing compliquential losses" resulting cated, which makes it from their products being harder to guarantee that all will work to specification.

Moreover, many of the making anything from cars to washing machines which are increasingly eager to use legal procedures to claim damages for problems that could be extremely costly. Such faults could lead to

Circuit makers | Deputy PM deplores mount defence German dome contract

By David Wighton, Political Correspondent

John Prescott, the deputy prime minister, yesterday provoked an angry industry reaction by claiming that awarding the £6m (\$9.8m) millennium dome contract to a German company was a "sad reflection" on the UK construction industry.

Industry leaders attacked the comments as unjustified and said the significance of one contract out of a £250m project had been overstated. Mr Prescott's remarks also brought him into renewed conflict with Peter Mandelson, the minister without portfolio, who at the same time was praising the success of UK companies in winning the hulk of the mil-

expensive product recalls. | mittee, the party's policy on the UK industry.

forming hody. At a photo call after a tour of the Greenwich miliennium site. Mr Prescott held up a jar containing a crab caught in the

Addressing the creature, Mr Prescott asked: "Do you think you will get on the executive, Peter?"

The jibe follows reports about friction between Mr Prescott and Mr Mandelson, who have been providing the government's public face while Tony Blair, the prime minister, is on holiday in France.

charge of the Millennium pany had sufficient Exhibition, paid tribute to capacity. UK companies which have won 24 of the 25 large dome contracts so far awarded.

Mandelson's ambition to win dome skin to Munich-based a seat on the Labour's par- Koch Konstruktive Memty's National Executive Com- brane was a bad reflection

"The huge bulk of work and the value of what we are doing at Greenwich is being taken up by British companies." he said.

Mr Mandelson's comments were supported by Neville Simms, the chief executive of Tarmac and chairman of the Construction Federation major contractors group. Mr Simms said he was

"worried" by Mr Prescott's attack on the UK construction industry's failure to win the dome skin contract, which he pointed out was a highly specialist product Mr Mandelson, who is in for which no UK-based com-One senior construction

> executive suggested that the fact that companies from outside the UK had gained

extraordinary that UK companies did so well, particularly given the strength of

Lottery operator loses case over bets

By John Mason

Camelot, the consortium which operates the National Lottery, yesterday lost its private prosecution of three leading hetting companies when a court ruled that "49s", a rival numbers game. was a legal form of betting. Magistrates in London ruled that the game, operated by bookmakers William Hill, Coral and Ladbrokes, was not an illegal lottery as Camelot had claimed. Tha members of Camelot are

Cadbury Schweppes, the UK food and drink group; De La Rne, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTech, the US lottery equipment supplier.

Screened live in betting shops, 49s involves customers betting on the likelihood of up to five numbers being randomly selected from a total of 49. As with the bers are marked on coloured balls emerging from tubes.

Magistrate Ronald Bartles said he was "wholly persuaded" by the betting companies' case that 49s was not lottery because it involved fixed-odds betting, did not involve the distribution of prizes and the outcome was not affected by the number of players.

The legal defeat is the third suffered by Camelot over the issue. The lottery operator launched its campaign against 49s last year, claiming it threatened the revenues - some £9m (\$14.7m) - raised for "good canses". However, last December the Crown Prosecution Service rejected Camelot's request for action against 49s, deciding the game was a legal scheme rather than a lottery. Camelot indicated vester-

day that it would continue its legal battle. A spokesman said: "We are disappointed by the ruling. However, this is just the first stage in the process of clarifying the law and we are intending to

Mr John Brown, managing director of William Hill and chairman of 49s, said the hookmakera

UK NEWS DIGEST

\$2m BP threat to Greenpeace

British Petroleum announced yesterday that it would sue Greenpeace UK and four of its members for £1.4m (\$2.28m) over losses sustained during the pressure group's recent occupation of a mobile oil rig in the North Atlantic. Greenpeace UK said it might go out of business if it lost

.The claim for damages follows the eight-day Greenpeace occupation of the Stena Dee, which ended on Sunday after police arrested four activists aboard the rig.

The rig was chartered to work at BP's Fomaven oilfield west of Shetland but Greenpeace intercepted the platform on its way from Norway. The rig was repeatedly blocked by Greenpeace divers and arrived at its destination last Saturday, five days later than planned.

BP said the size of the claim was based mainly on the £100,000 a day it cost tha company to hire the Stena Dee. "Their [Greenpeace's] actions were unlawful," it said. They interfered with our legitimate business and caused Michael Peel, London us to suffer financial losses."

PUBLIC FINANCES

Surplus of \$6.3bn recorded

Bumper value added tax receipts left the public finances in unexpectedly good shape last month, with the government's revenue exceeding its spending by £3.9bn

July's surplus was more than double the £1.8bn recorded in July 1996 and increased speculation that the government may undershoot its Budget forecast for the public sector borrowing requirement (PSBR). The Treesury reported that July's total of just over £5hn in VAT revenue was tha largest monthly cash figure on record.

The same period last year saw VAT receipts worth £3.8bn The size of the figure points to stronger economic activ ity, in line with the projections in July's Budget. In the financial year to date, VAT revenue is up by 7.2 per cant on 1996. Inland revenue receipts also rose, by £1.4bn. Overall central government spending is unchanged, compared with an increase of 1.7 per cent included in the Budget.

Richard Adams. London

SCOTTISH EXPORTS Strong pound blamed for fall

Exports from Scotland fell nearly nine per cent in the second quarter of this year, mainly because of the high value

The Scottish Council Development and Industry which compiles a quarterly index of export performance, said the outcome matched reports from its members who said they were becoming increasingly uncompetitive in many markets because of the pound's strength. Exports from a panel of 26 companies, which together account for half Scotland's total exports by value, fell by £400m (\$652m) to £4.06bn compared with the previous quarter's figure of \$4.48bn. The fall of 8.7 per cent in the index contrasted with a rise of 2.1 per cent that had been projected for the

CREDIT CARDS

Qualifying salary lowered

Gold cards, once the preserve of the affluent, are starting

to lose their lustre, says a new report.

The number of gold cards in issue has rocketed from 800,000 four years ago to 2.5m last year, according to Datamonitor, the management consultants. The 300 per cent increase has lowered the kudos that went with having a gold card in the late 1980s.

Gold cards lose their lustre

Gold cards offer higher credit limits, lower interest. rates and better perks, such as travel insurance, than ordinary credit cards. However, the annual fee is generally much higher. Card issuers have increasingly turned their attention to the gold card market as margins in the standard market have been squeezed by a surge of new entrants. Issuers have frozen the minimum qualifying salary for gold card holders for the last few years - typically at £20,000 (\$32,600) - just above the national average Christopher Brown-Humes, London

SUPERMARKETS

\$32m price cut campaign

Safeway, the UK's third-largest supermarket chain, yes-terday launched a £20m (\$32.6m) price cut campaign intended to drive home to customers that it is no more expensive than its main rivals.

Roger Ramsden, director of brand marketing, said the company expected more than two-thirds of the £20m to be spent in price reductions. But customers who are still able to buy a comparable product more cheaply at one of Safeway's competitors within a three-mile radius, will get another pack of that product for nothing or their money back. Mr Ramsden said Safeway was not seeking to start. Alison Smith, London

frank about why his party has no solid plans for implementing bome rule in Cornwall, the county in the far south-west of England. "It seems a hell of a lot of work to do to hring out a paper no-one is going

Sometimes everything to do Mehyon Kernow (Sons of Cornguage of Cornwall) must seem "a hell of a lot of work". Founded in 1951 to fight for Cornish national identity, the party is still depressingly far from a grand electoral breakthrough.

When it is suggested that conversation about the party need not dwell excessively on election turn out and voting patterns, Mr Cole eagerly agrees: "That suits

us just fine." Mr Cole and feliow Mehyon Kernow activists are still almost visibly shaken by the general election on May 1. Their 700number is connected to the back cent."

lennium dome work. hased Keller Ground Engionly one of 25 large dome Mr Prescott fuelled neering, which will provide contracts might raise eyerumours about tensions at the dome piling, Mr Mandelbrows in Brussels. the heart of government by son denied that the award-"There was open competicracking a joke about Mr ing of the contract of the tion for all the work but it is

Robert Wright meets some bitter separatists from a Celtic fringe party shop of a now defunct picture framers' husiness in the town of Liskeard, met the full fury of the chief city in Cornwall, seem take it."

Mr Cole's fellow activists, sit-counters. "If we wanted [devoluting round a pub table in Truro, the chief city in Cornwall, seem take it."

other participants take little interest.

Peter Wills says: "During the

Liskeard, met the full fury of the with being a leading figure in Labour election machine in Falmouth and Camborne, Labour's wall in the ancient Celtic lan- main target district in the

> The party avaraged just one per cent in Cornish general election seats, but scored a respectable 10 to 15 per cent in county council seats it contested the same day. It is small wonder that - unlike some of their nationalist counterparts elsewhere - Mabyon Kernow is not making too many demands about the kind of devolution it wants.

"The Welsh proposals look brilliant to us, even though thay look weak to the Welsh," said Mr Cole. "As for the Scottish proposstrong party, whose telephone als, they look absolutely magnifi-

typical fringe party members. Mr Cole is an archaeologist. Conan Jenkin is a college lecturer. Pol Hodge, who has the keenest sense of the injustices visited on Cornwall, is an arts officer and

Cornish language poet. Peter Wills, when he can find work, does economic research. All the men sport heards. Most are going, Pol Hodge says: "Generations of English oppression." before describing how his father was sent to pick up stones in a

avacuees were given Cornish children's school places. "We make a good job of championship, a competition reg-

field while second world war

The Cornish will be last on the list of Celtic nation self-determination stakes if the Scottish and Welsh proposals go through. However, if anyone thinks the Labour government's proposals for devolution to the English regions are going to pacify the Sons of Cornwall, they had better think again.

"It's going to be a seven-county Asked what keeps the party parliament," says Mr Cole. "It'a 1979, when it scored four per cent going to stretch to the other side of Bristol."

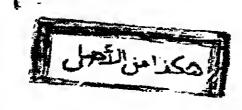
in fact, any attempt to include Cornwall with the rest of south-west England angers MK particularly when it comes to coverage of rugby union's county oppressing ourselves," Dick Cole ularly won by Cornwall in which far away as ever.

Peter Wills says: "During the last rugby final, the commentators kept referring to the West Country. All the crowd were with Cornish flags and other elements of Cornish identity. You could see watching it that there's nothing to do with the so-called West

Such discontent finally seems to be ending the electoral lean patch suffered by the party since in the general election.

Spirits have been particularly warmed by the response this year to the anniversary of the 1497 Cornish uprising. But a shake-up on a scale that would require Dick Cole actually to write down a policy on devolution seems as





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When the first

medical lasers

were introduced in

the 1960s, they

pshered in a blood-

less revolution.

Their ability to cut

and birthmarks

more versatile. Several applica-

diagnosis and cancer, that do not

Drugs Administration in May, when it decided that a laser

device could be used for remov-

ing tooth decay. The technique

has been found to cause less pain

to the patient, while allowing

more of the healthy tooth to be

saved when e cavity is being

The FDA has also recently rec-

ommended conditional approval

of a new generation of lasers for

use in eye surgery. The technique, called Lasik, can treat rel-atively severe short-sightedness

before removing material.

clear membrane covering the cor-

nea, its proponents say, it is less

painful and may heal more rapidly than the widely used photo:

an excimer laser (which produces

alters the shape of the cornea.

As well as allowing people free-

soft tissue.

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Kindlier cuts

Lasers are being used for increasingly diverse medical applications, writes Vanessa Houlder



Photodynemic therapy increases the already a

gery. For instance, there is increasing interest in using lasers to resurface skin. Surgeons are using high-energy pulsed car-bon dioxide lasers to vaporise layers of skin so quickly that little heat is conducted to the tisby lifting a flap in the comes sues underneath and the thickness of skin removed can be con-Because it does not injure the trolled with great precision.

Lasers are also being used to prevent unwanted hair from regrowing. SLS Wales, a laser company, has sold 35 lasers for refractive keratectomy, in which hair removal in the UK, Australia, New Zealand and South a high energy ultraviolet beam) Africa. Although mostly used to remove facial hair, the technique could also help people who have dom from spectacles and contact had reconstructive surgery to lenses, lasers are making ever prevent unwanted hair growing greater inroads in cosmetic sur- where the skin has been grafted.

the face or spinal column than In particular, a technique called mechanical methods using drills

which is transmitted back to a a severe setback last month ture" with that of healthy tissue.

Many promising medical applineered at the Los Alamos National Laboratory in New Mexico, has been used to detect cations of lasers are still experimental. One is using lasers to cut through hard tissue for bone surbladder cancer and is being gery. At the University of Mantested on cancers of the colon, chester, researchers believe that stomach, cervix and eye. certain lasers can give more pre-Cardiology has also received cise control for small bones on attention from laser researchers.

Another promising area is minimally invasive diagnosis. In this technique, known as optical biopsy, an optical fibre probe carries laser light to the tissues to be examined. The tissue fluoresces and scatters the light, the pioneers in the field, received detector that compares its "signa-. This technique, which was pio-

Even when treatments have proved to be affectiva, many people approach laser surgery with trepidation. It is widely recognised that lasers should not be used if conventional surgery is equally effective. Although problems are rare, it is important that operators are either experienced or closely supervised. Lasers for Life, a medical laser

charity, is trying to fund the development of a simulation device to help doctors practise laser surgery. "We found it very surprising thet on many occa-sions, the first tima a doctor uses a laser is on a patient." says John O'Brian of the University of Liverpool's electrical engineering department and chief executive of the charity.

Cost is another constraint. About \$204m (£136m) was spent worldwide on surgical lasers in 1995, according to Frost & Sullivan, market researchers. At tens of thousands of pounds, e laser is an expensive option for a hospital - even though it can cut costs by allowing patients to be released more quickly.

This constraint could possibly be eased by substituting an alternative light source. Researchers at the Christie Hospital in Manchester, backed by the Cancer Research Campaign, are experimenting with using light from a xenon arc lamp - which costs a fifth as much as the equivalent aser - to treat cancer,

The idea that non-laser light could supplant lasers in some applications could have enormous cost benefits, says Neville Krasner, president of the British Medical Laser Association, Even so, he is confident that the role of lasers in medicine will continue to expand. "Almost day by day, new applications are coming through," he says, "There is a very bright future for lasers."

This concludes the series on new when the FDA withheld approval uses for lasers. Another series on medical equipment begins later

Tom Mead on prospects for a universal substrate for chips

A revolution in the making

n spite of the considerable virtuosity at alchemy displayed by scientists and engineers in the semiconductor industry, they have for decades struggled unsuccessfully with a seemingly simple materials conundrum.

Some semiconductors - the tiny current-conducting crystals that are the heart of all integrated circuits - can be "grown" as thin films of emiconducting material deposited on some base (substrate) materials. But due to fundamental incompatibilities between semiconductors and these materials, there is no single

substrate where all, or even

most, classes of semiconductors can be grown. The development of a tough, inexpensive "universal substrate" would revolutionise the industry by allowing entire new classes of microelectronic and optoelectronic devices new lasers, detectors, sensors imaging systems, signal processing and computer chips, compact discs, data storage devices and dozens of other

devices - to be produced. That development may soon e accomplished by researchers at Cornell University in Ithaca, New York. They appear to have devised a technique that produces a "universal substrate" where any type of semiconductor crystal can be erown.

"This is preliminary work, bnt if it truly works, and we think it will, it could revolutionise the microelectronics industry," says Yn-Hwa Lo, Cornell associate professor of engineering and project leader.

Four considerations drive the research towards a universal substrate. First, robust, versatile silicon is less expensive than other substrate materials.

Second, there are many naterials that cannot be used to form substrates, at any price, but from which very desirable semiconductors can be grown.

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Third, many substrate materials are too fragile to withstand the rigors that may exist in some environments (acid attack, violent vibration, extreme heat or cold, abrasion by high-speed particles).

Fourth, the development of a universal substrate would open the door to the production of compound semiconductors. In a compound semiconductor. a number of semiconductor crystals, exhibiting a wide range of destrable electrical characteristics, co-exist on the same computer chip.

Mr Yu-Hwa's group calls their development "a compliant substrate". By slightly rotating a semiconductor thin-film and bonding it to a substrate, the new surface of the substrate becomes structurally compliant, permitting a crystal of any semiconductor material to grow on its surface.

In conventional semiconductor production, ever a 1 per cent misalignment between the semiconductor crystals and the crystals of the substrate results in serious problems. In contrast, the new compliant substrate method has shown that it can overcome mnch more serious lattice alignment mismatches - up to 15 per cent - and still produce viable semiconductor

The research team is trying to extend that tolerance of misalignment to 20 per cent so that another compound semiconductor, gallium nitride, can be grown on silicon compliant substrates. If it can be done, and they expect that it can, then high-quality blue and ultraviolet semiconductor lasers can be fabricated, as well as high-temperature,

high-power electronic circuits. The ability to grow single crystals of any material on silicon may breed an entire new generation of electronics -Ultra Large Scale Integrated circuits - having several types of semiconductor operating simultaneously on the same

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Surgery comes under a new light

known as photodynamic therapy allows them to be used with even greater accuracy. The approach relies on light-activated chemical "dyes" that are selectively absorbed in the tissue being treated. aging. PDT can kill all the cancer cells in When the tissue is irradiated with a laser, only the stained tissue absorbs the energy

PDT has potential applications in a

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asers emit light with awesome preci- promise," says Neville Krasner, president abnormal blood vessels grow in the retina, sion. But an emerging technique of the British Medical Laser Association.

The drugs used in PDT are still mostly experimental. But the results of tests carried out on cancers of the mouth, lung, pancreas, prostate and uterus are encoura tumour with little scarring and few sideeffects - although patients have to avoid light until the drug wears off.
Researchers are also attempting to use

causing scar tissue to block the patient's vision. A photo-sensitive drug is picked up by molecules called lipoproteins, which are taken np strongly by the rapidly growing, abnormal blood vessels in the retina. A laser is then shone at the eye, which activates the drug in a way that stops the growth of the scar tissue.

The use of lasers in conjunction with light-sensitive compounds could also have number of medical specialities, most prominently in cancer. "It holds enormous age-related macular degeneration, when

dye - which attaches to bacteria via a "monoclonal antibody" - to inactivate the bacteria that form plaque on the surface of teeth.

Although there are a number of obstacles to overcome before PDT becomes a mainstream treatment, it has already demonstrated that it could become one of the most powerful and versatile of the new generation of laser treatments.

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of its TMR device, being uncon-

INVITATION FOR EXPRESSIONS OF INTEREST (IN THE FORM OF NON-BINDING OFFERS) FOR THE PRIVATISATION OF ATHENS PAPERMILL S.A.

Within the framework of the Greek Government's privatisation policy, the Industrial Reconstruction Organisation S.A. (*IRO*) announces today that it Intends to sell Athens Papermill S.A. ("the Company"). The IRO is the controlling shareholder of the Company and has been given the express authority to negotiate on behalf of the National Bank of Greece and the National Bank for Industrial Development ("ETEBA"), whom altogether hold 99.7 per cent of the total issued share capital of the Company. Nikko Europe Pic ("Nikko") has been exclusively mandated by the IRO to act as Financial Adviser for the privatisation.

The Company

Athens Papermill is the largest manufacturer of paper and pulp in Greece. The Company operates three plants, paper mills in Athens and in Drama, Northern Greece, and a recently constructed conversion and finishing plant in Megalo Pefko, Attica. The Company is the leading Greek producer of writing and printing papers, of tissue paper products, and of polyethylene bags. The Company also has significant operations in other wood and paper related products and is the market leader in consumer tissue products, sold under the "SOFTEX" brand name.

For the year to 31 December 1996, the Company realized a turnover of GRD 44.7 billion on total assets of GRD 51.4 billion as at year end. The Company presently employs a total of 2,231 staff. Sale Procedure

The sale will be effected through an International two-stage auction and according to prescribed procedures and timetables. In the first stage, Phase I, interested parties are invited to apply to Nilkko for further information, which is and shall be treated as confidential, by requesting and executing e Confidentiality Agreement. A confidential Information Memorandum will then be supplied to applicants, together with details of the procedure to be followed and timetable to be

interested parties should note that the Phase I timetable calls for indicative non-binding offers to be made by Wednesday, 24 September 1997.

In Phase II, an invitation will be published for the submission of final binding offers within the scope of the applicable privatisation procedure. This invitation will make available the timetable for, and details pertaining to, the completion of the sale procedure.

Applications for the Information Memorandum should be made to:

Nikko Europe Plc Corporate Finance Department 55 Victoria Street London SW1H 0EU **ENGLAND** Att: Mr Ashley Potter Tel: +44 171 799 2222

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FT Surveys

Zeneca loses U'Pritchard

Zeneca has suffered its third high level defection this year with the move of research director David U'Pritchard who has become chairman of research and development at rival drugs company SmithKline

The move came just over a week after the company lost John Mayo. finance director, to General Electric Company and a matter of months after Ed Dart moved from research head at the seeds division to run start-up biotechnology company Adprotec.

U'Pritchard, 49, has been based in the US for Zeneca running the research at Wilmington, Delaware and commuting to Zeneca's research centre near Manchester in England. At SmithKline, the commute will be between Philadelphia and Brentford, west London.

The move givea U'Pritchard a significant salary increase. At Zeneca he was earning less than £300,000 (\$480,000) a year. The man he is replacing at SmithKline, George Poste, earned £790,000 last year in salary, fees, benefits and bonus plus £140,000 in pension con-

Poste remains a main board

member at SB and U'Pritchard will not join the board. He wil report to J P Garnier. SB's chief operating

UPritchard is a graduate of the universities of Glasgow and Kansas. He was an academic at Johns Hopkins and Northwestern universities before being involved in 1983 in the launch of Nova Pharmaceuticals. He joined Imperial Chemical Industries in 1986 as vice-president of biomedical research. Zeneca demerged from ICI in 1993.

Zeneca is replacing U'Pritchard with Richard Auty, 50, currently development director. Auty will take on research in addition to his current duties.

Both companies are going against the drugs industry trend by having a single executive overseeing both research and development. Many companies, including the world biggest two, Glaxo Wellcome and Novartis, separate the two on the grounds that inventing a new drug requires a creative spark whereas pushing it through the series of clinical trials demanded by regulators needs a

pusby organisation. Sir David Barnes, Zeneca's chief

research and development should be managed together. Daniel Green, London

INTERNATIONAL PEOPLE

Departures at LGT after shake up

Warren Shaw, 47, one of the few African Americans running a big fund manager, has quit less than a year after his company, New Yorkbased Chancellor Asset Managefinancial services arm of Liechtenstein's royal family.

Shaw, who had spent 15 years at Chancellor, resigned after a policy clash with the new owners. LGT bought Chancellor to give it criti-cal mass in the US institutional money management business and balance its GT Global operation. the seventh biggest manager of international mutual funds for US retail investors. Shaw was made chief investment officer of the combined operation and Penny Zuckerwise, Chancellor's president, was

made chief operating officer. However, LGT's hope that Chancellor's management team would

hard and fast rule" over whether have been undermined by the different cultures of the institutional and retail husinesses. LGT has now decided to separate the management of the two businesses in North America and this prompted Shaw's departure. Zuckerwise, is also leaving along with Jeffrey Trogone, Chancellor's chief financial officer, and Rachel Arfa, chief legal

The first of the second of

Paul Loach, 46, managing director of LGT Asset Management in the UK, will oversee the institument, was bought for \$300m by tional business in New York and Liechtenstein Global Trust, the chair the Chancellor LGT board, and William Guilfoyle, president of GT Global, will manage the US mutual fund husiness in San Francisco. Loach will commute across the North Atlantic until a new chief executive and chief investment officer are found for Chancel-

> The departures are the latest in a series of changes at LGT which described its SFr127bn (\$191bn) asset management husiness as "less than satisfactory" in its recent half year results. In February David Minella, resigned as overall head of asset management, and his job was added to that of Anton Schwaiger, LGT's chief oper-

executive, said that there was "no beef up its performance appears to ating officer, and private banking chief. In June: Joe Canavan, president of the group's fast-growing Canadian operation, left to start up his own company. -

Pelletreau joins **US** law firm

Robert Pelletreau, former assistant secretary of state for near eastern affairs, has joined Afridi & Angell, the international law firm. as resident partner of its Washington office.

Pelietreau graduated from Harvard Law School in 1961 and before joining the foreign service he practiced law with Chadbourne & Parke, the New York law firm.

Prior to his present appointment he held a number of foreign postings. He was assistant secretary of state for near eastern affairs from February 1994 to January 1997 and before that was US ambassador to Egypt, Tunisia and Bahrain. As ambassador to Egypt Pelletrean was a member of the US delegation to the 1991 Madrid Middle East Peace Conference and as ambassa dor to Tunisia he conducted the US dialogue with the Palestinian Liberation Organisation.

ON THE MOVE

GOTTEX FINANCIAL PRODUCTS, the interest rate derivatives specialists, has appointed Mark The,33, head of trading. He will join Gottex Fund Management, Lausanne, as a member of the management committee and will beve primary responsibility for trading the global swap fund and other interest rate hedge funds and investment products offered by the Gottex Group. The joins from ABN Amro Bank in Amsterdam.

ELF ATOCHEM has appointed Marie-Pierre Chevallier its new econonmic, planning and strategy manager. She joined the company in 1983. Senior German civil servant Klaus-Dieter Scheurle has been appointed

post and telecommunications regulatory authority, which will take over from the Posts Ministry at the end of the

SYBASE'S Mark Hoffman has resigned as chairman to focus on COMMERCE ONE where he is president and chief executive, Hoffman founded Sybase in 1984 and Commerce One in April 1997. ■ Spanish Utility EMPRESA NACIONAL DE ELECTRICIDAD, known as ENDESA, has appointed two deputy chairmen, Juan Echevarria Puig and Manuel Otera Luna. Echevarria Puig is the chairman of Endesa's 75 per cent-owned subsidiary Fuerzas Electricas de Catalunya (Fecsa) and Otera Luna is the chairman of another seventy five per cent owned subsidiary, Cia. Sevillana de Electricidad. ■ BHP has appointed three senior managers to head operations in Melbourne. Gary Evans becomes the

new corporate general manager, Lance Hockridge will be group general manager of human resources and Boh Flew will be the corporate general manager of international AMP, the supplier of

electrical and electronic connectors and interconnection systems, ha appointed Carol Ritter regional executive, Americas region, for the newly formed power technology division. Ritter was vice-president of general services and engineering and manufacturing assurance for

AMP's Americas region.

■ NORTEL CALA bas

appointed Adis Vila director of government affairs. Vila will be responsible for the strategic development and management of the Nortel government relations program for Latin America and the Caribbean and will be based in the Nortel CALA beadquarters in Sunrise, Florida. Most recently, she was vice-president of international busines development for the Vigoro Corporation in Chicago. ■ BARNES & NOBLE, the world's largest bookseller, has appointed Marie Toulantis executive

vice-president of Chase Manhattan Bank. ■ ARTHUR ANDERSEN has appointed Jim Wadia to succeed Richard Measelle as its world-wide managing

vice-president, finance. She

was formerly a senior

■ China's SHENZEN DEVELOPMENT BANK has appointed Zhou Lin as the bank's new president. Zhou was previously the president of the Shenzen branch of the Guandong Development Bank.

■ SOCIETE GENERALE has appointed Rupert Allan head of European fund management relationships. He joins from Credit

Lyonnais Rouse. ■ CREDIT SUISSE ASSET MANAGEMENT has announced three new appointments to its central and eastern European equity team with a view to expanding the fund range towards the end of 1997. Isabel Knight joins as an associate director specialising in central and eastern European equity markets. She joins from foreign and colonial emerging markets in London. Sergey Chernyshov oins as a portfolio manager/ analyst with responsibilty for Russian and other forme CIS equity markets. He joins from Brunswick Capital Management in Moscow Dildora Yusupova joins from the central/eastern European banking group of Citibank in London. She has been appointed as an analyst specialising in Russian and other former CIS equity

■ MUELLER INDUSTRIES has appointed Robert Gillespia its managing director of European operations. Prior to joining the company, Gillespie was divisional vice-president brass rods and wires for Trefimetaux in France. ■ DONALDSON, LUFTKIN

& JENRETTE, an integrated investment and merchant bank, has announced six appointments in its emerging markets group, continuing the firm's expansion into international markets. In London, Christopher Rencki, 47, joins as director of emerging Europe corporate debt research. Robert Hartmann, 39, has joined as senior vice-president, head of emerging Europe cash sales. Rencki was previously head of corporate debt research at ING Barings Securities. Hartmann joins from Chase Manhattan Bank. Wayne Chou, 41, joins from Bankers Trust as a vice-president in DLJ's Hong Kong office. Joining DLJ's emerging markets group as vice-presidents in New York

to focus on Latin America are: Charles Achoa,, 31, formerly with SBC Warburg, Diego Teran Lopez, 30, previously with Banco Nacional de Mexico, and Christiano Magarinos de Souza Leao, 26, who joins from Banco Excel Economico.

Liz Taylor has joined EQUIFAX RETAIL SOLUTIONS as group risk management director. Taylor's previous

employment encluded 10 years with Harrisons & Crosfield as group risk

ANZ INVESTMENT

BANK, the investment banking arm of Australia and New Zealand Banking Group, has appointed Robert Russell director of global finance. Russell was formerly head of European multi-national banking. ■ SANTANDER INVESTMENT has recruited Philip Bullen, Christopher Goudie, Peter Hartley and Kathryn Matthews to build a global asset management business for Santander. All four were main board directors of Baring Asset Management and collectively had been responsible for the management of BAM's institutional asset

International appointments.

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NOTICES

IN THE HIGH COURT OF

IN THE MATTER OF ICCH LIMITED

AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30 July 1997 confirming the reduction of capital of the above-named Company from £6,750,000 to £150,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the abovementioned Act were registered by the Registrar of Companies on 8 August 1997. Dated this 19th day of August

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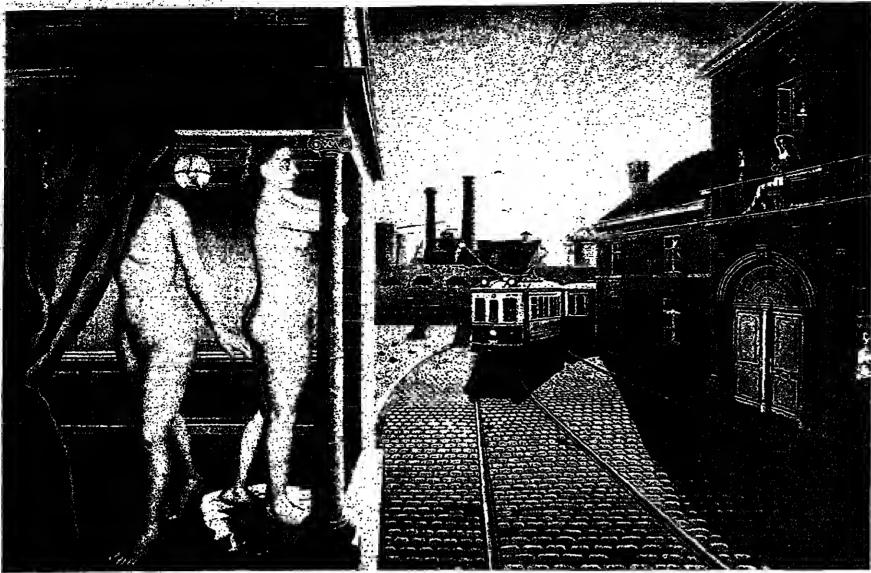
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'La Rue du Tramway', 1938-39, by Paul Delvaux: part of the bequest from Mrs Gabrielle Keiller, golf champion and marmalade heiress as well as collector

Heady days of high Surrealism

William Packer admires the Keiller collection in the Scottish National Gallery

had the mouths of much larger and even more of its quality. rivals watering, from London to Mrs Keiller was a former golf Paris and New York. First came champioo and widow of Alexanof the late Gabrielle Keiller, Surrealism. With the opening groups within the collection. next year of its annexe. The Dean, across the road, the poten- no great step, and indeed in all tial will be fully realised.

lections, the quality of what was put together in quite short a time always there to be made - Bruce sense of the intimate and the priput together in quite short a time always there to be made - Bruce

andience alike", as the pro-

gramme notes have it - inspires

admiration, respect, even rever-

ence in certain quarters, but com-

mon-or-garden liking is not, it

seems, an option. Last year's pro-

duction by The Wrestling School

(the company dedicated to stag-

Cook's E.L. Wisty character:

People came staggering out, say-

Wounds To The Face, staged at

ous play."

be work of playwright Howard Barker - "com-

plex, poetic and demand-

ing on both sctors and

he Scottish National works and sculptures that Mrs and Lindner, Ian Hamilton Finnot 40 years old yet house on Kingston Hill, and over long-outstanding for 250 archive and library Items. It the quality of its hold- is by far the largest gift the galings, seems to be rapidly becom- lery has ever had and this curing a collector of remarkable col- rent display, Surrealism and lections. Three recent coups have After, gives us much of its scope

the collection and archive of der Keiller, archaeologist and Roland Penrose, active surrealist heir to the eponymous marmaand close friend of Picasso for 40 lade fortune. She began to collect years; then the papers and collec- modern art only in 1960, ber tions of Eduardo Paolozzi. Now, interest triggered by seeing with the bequest of the collection Peggy Guggenheim's collection at Venice, along with Eduardo whose interest embraced contem- Paolozzi's work then on show at porary British art but was cen- the Blennale. Paolozzi was to tred upon high Surrealism in all remain a life-long friend, and his its aspects, the gallery is set to work from the 1940s to the '80s, become one of the principal cen-tres in the world for the study of constitutes one of the core From Paolozzi to Surrealism

her collecting of current art, the As so often with significant col- enduring surrealist or Dada con-

contains similar moral and intel-

lectual preoccupations, but is

altogether less daunting - partly,

perhaps, because rather than

consisting of a grinding continu-

ous narrative it takes the form of

"The Holy Orders Of A Terrorist" and "Tha Collaborator Reserves

mirabile dictu - the Edinburgh

andience even dares to laugh,

ing Barker's works) of his (Uncle) a number of more or less discrete

Vanya brought to mind Peter. scenes, hearing titles such as

ing, 'Oh, my God, what a rigor- Part Of Himself". Occasionally -

Stella Artois Assembly as part of having detected the odd, hrief its Edinburgh Fringe theatre bill. gout of humour in Barker's lines.

Gallery of Modern Art, Kelller kept on display at her lay. There it is in the painted head by John Davies, and another head, cruelly masked in black leather, by Nancy Grossman. There it is, most clearly of all, in the Francis Bacon, that the female hips, navel and sexual early, ambiguous, crouching figure, all coat, hat and hydrangea

> ut, Paolozzi and Bacon apart, her real beroes are those of the high days of Surrealism and Dada, from the 1920s to the 1940s -Magritte; Ernst; Tanguy; Delvaux; Dali; Duchamp; Giacometti; Hannah Hocb. And what is Keiller's beart. She moved, began remarkable is not just the partic- to think about dispersing her colular quality of the works as such. but the curious consistency of garden she had made. Her bealth feeling and interest with which,

The Edinburgh Fringe/Ian Shuttleworth

The tyranny of image

that outward form dictates iden-

tity. Characters include a woman

fixated upon a mirror bemoaning

self after 20 years' confinement

"in a hole . . . without a mirror", a

"a critic of God" and a man, half

of whose face has been blown off

in a grenade attack and whose

mother rejoices (insofar as joy is

a Barkerian emotion) that once

reconstructive surgeon labelled

The theme is the tyranny of again she will be the only one to image, the oppressive insistence love him.

ber imagined deformities, the grenade victim may in fact be

another terrified to look at her- an insurrectionist whose act of

ists' books this sense is frankly sexual, it is more often incipient, latent, ambiguously so, Magritte's concentrated yet oddly distant "La Représentation" of parts with its contiguous frame, Delvaux's tram with nudes at twilight, and, most especially, Salvador Dali's tiny "Signal de l'angoisse", of a golden, oaked girl turning away towards a golden, glowing desert, are but three typically remarkable examples in a remarkable display.

A fire at Kingston Hill in 1986 luckily left the collection largely undamaged, but it broke Mrs lection, and missed above all the deteriorated and she died in 1995. in bringing them together, Mrs st 87. I remember her well, a return from a visit to Royan. Keiller invests them. Such is the familiar figure of the art world gift of the truly creative collector. always lively, generous and

is still surprising. Here it Maclean; Barry Flanagan; Rich- vate, preoccupied, self-obsessed. has several small displays, high amounts to some 173 framed and Long; Anthony Green; Rich- While with many of the more in quality, among them three fine

This being Barker, of course,

there are rumblings of a revolu-

tion in the background, so that

violence misfired against him.

One or two historical scenes are

interposed: a masked man in the

Bastille, a despotic emperor and

the artist who had the effrontery

recondite publications and art- mystical landscapes by Paul Nash, and a group of Scottisb Moderns that includes the fine group portrait by James Cowie, the figures set against an open window and distant landscape and, across the room, a strong portrait of his wife in red dress, languidly smoking a cigarette.

But most notable is the display of most of the gallery's Picassos, along with a loan or two, from the tiny early standing woman (1902) to a large artist-and-model painting of the late 1960s. So difficult and controversial when they first appeared, these late works seem more magisterial with each reappearance. There is also a poignant marine still-life, as beautiful in Its simplicity as in its assurance. Calm indeed before the storm, it was painted in Paris in the spring of 1940, on Picasso's

Surrealism and After - works The works in general are not engaging. Her bequest, so much from the Gabrielle Keiller Collectorer-large, and there is to so in character, is in fact her proper tion: Scottish National Gallery of Modern Art. Belford Road. Edinburgh, until November 9: sponsored by McGrigor Donald Solici-

> down and defaced upstage. The cast of seven, under Stephen Wrentmore's direction, submit themselves devoutly to Bark-er's fibrous, sinewy writing as hs negotiates the labyrinthine metaphysics of image-fascism. The prospect of treading the same maze for ourselves rather than being led through it by the nose may be daunting for an audience. but at 95 minutes ought not to be insuperable. Enter the theatre prepared to work, and you will be furnished with an abundance of material: even I begin now to see Barker's ... no, "appeal" is still the wrong word ...

to paint a lifelike portrait of him. Posters of a dictator's likeness Stella Artois Assembly (venne 3) are displayed, repeatedly torn until August 30. 0131 226 2428;

The Proms/Richard Fairman

A ready audience for Britten

past single composers have not been allowed to dominate any part of the festival, but perhaps this year a few interesting events coincided and the Proms decided to make a virtue out of necessity. A reappraisal of Benjamin Britten's importance as a composer is certainly going on st the moment. There is a serious interest growing up now in his operas, and to a lesser degree his small-scale works, both in Europe and tha US, part of a larger desire all round to find new music worth playing. Brit-ten's clear-headed musical style is finding a ready audience.

The big work of Britten week-end at the Proms was the War Requiem on Sunday. But more to the point the performers were also heading off from the Royal Albert Hall to give the first performance of the work at the Salzburg Festival. This is one of the key works of the 1960s: It is conceived on a large scale, a brilliantly planned statement of the composer's artistic and political beliefs, and it should have taken its due place in Salzburg years

Judged purely on technical merit, the performance was of internstional standard. Andrew Davis bad prepared the BBC Symphony Orchestra to a high level of precision and the comhined choruses of the BBC Symphony and the City of Birmingham Symphony, together with the Choristers of Westminster Abbey, acquitted themselves tenor, horn and strings.

ast weekend was nomi- admirably. But it failed to work nated Britten weekend at at a deeper level, especially in the BBC Proms. In the Wilfred Owen wartime poems where Britten's heart is engaged as well as his mind. Hans Peter Blochwitz and Thomas Hampson, the tenor and baritone soloists. offered well-groomed singing, but their music is asking for the issues to be addressed frankly, with some of the grit of the battlefield. Eva Urbanová was the edgy, \$lavonic soprano.

> he highlight of the weekend was a staged performance of the third of Britten's church parables. The Prodigal Son. This was the strongest of the three parable productions by the City of Birmingham Touring Opera earlier in the year. By casting aside the Japanese Noh-play style and setting the parable in a 1930s English farming family, the group successfully breathed new life into one of Britten's driest stage works. There was a fine young cast of singers and alert playing from the Birmingbam Contemporary Music Group.

Brief notes on the other events: the Westminster Abbey Choir's Sunday afternoon Prom of sacred choral music, performed to a good standard, reminded us how deeply rooted Britten was in the Anglican tradition. On Saturday evening, as part of a Prom despatched in businesslike fashion by the Norwegian Chamber Orchestra conducted by lona Brown, Ian Bostridge sang a very English, lyrical but insipid, performance of the Serenade for

Company drama goes to waste at the Old Vic

a problem. Lilian Baylis, wbo, in the 1920s and 1930s, ran both "the Vic" and Sadler's Wells, used to shake her fist cheerfully at the andience in her famous curtainspeeches and cry "We must bave better Monday nights, you bounders!" One wonders now if those not-good-enough Monday uights were for performances featuring Edith Evans, John Gielgud, Peggy Asbcroft and other Baylis luminaries.

Since then, hoth Jonathan Miller (wbo ran an impressive regime at the Old Vic from the late 1980s up to 1990) and Peter Hall (who launched his new repertory company there in March) bave followed Baylis in boping for better Monday nights; and, alas, for better Friday nights and Saturdays too, Gradually, Hall has succeeded in bringing more and more of the hounders in. And yet now - now that Waiting for Godot is selling out and s impressive-sounding King Lear is in rehearsal - the Vic's owners, Ed and David Mirvish, are putting the theatre np for sale again. The Hall season will end

on December 6. Will it leave a gap? Yes. The company's account of Caryl Churchill's Cloud Nine, for example, was the most entrancingly well-acted play in London during its three-month period in repertory; I saw it three times. Godot deserves its sell-ont status, though I hope I can squeeze in to see it again.

More important than these individual successes, however, is the fact that had Hall's company lasted longer at the Vic, it would have left a much bigger gap. The

he Old Vic has long been fun of watching a theatre company in repertory is cumulative: you admire Jane X in a supporting role on Monday, only to find her more admirable in a leading role on Friday. You watch these actors challenge themselves. develop their craft, show features of themselves that neither they nor you had anticipated; and you learn about theatre from watching them learn.

More regular visitors to the National Theatre will know how marvellous it is to see Michael Bryant in role after role over the years there - be has been there since Hall's directorship - hot also that few actors remain there for long periods in a series of plays. At the Royal Shakespeare Company, actors come to do three or more plays for just over a year, and then usually they are off again. In neither institution does one see young actors being carefully guided beyond their contributions to individual pro-

erhaps it is old-fashioned to want companies to exert this kind of parental influence on young artists. And perhaps Peter Hall is not the person who could best exert that inflnence either. Nonetheless, seasoned actors such as Alan Howard and Denis Quilley, in the Old Vic Godot, are giving their freshest performances for years. It is very sad to think that all this may come to nothing on December 6 if Hall does not find his company a new home; and it is bitterly ironic to think he launched bis regime with a play called Waste.

Alastair Macaulay



BERLIN

of RailPlan

CONCERTS Konzerthaus Tel: 49-30-203090 Berlin Symphony Orchestra: conducted by Jiří Bélohlávěk in works by Brahms and Dvorák. With violin sololst Viktor Tretjakow; Aug 21

EDINBURGH DANCE

Edinburgh International Festival Tel: 44-131-473 2000 San Francisco Ballet. programme of two works by Balanchine - Stravinsky Violin Concerto and Symphony in C and Heigi Tomasson's Sonata, set to music by Rachmaninov; with the Royal Scottish National Orchestra conducted by Emil de Cou; at the Edinburgh Playhouse; San Francisco Ballet: second

programme opens with Drink To Me Only With Thine Eyes by Mark Morris to music by Virgit Thomson, followed by The Dance House by David Bintley, to music

to Shostakovich and Criss-Cross by Helgi Tomasson to music by

OPERA

Duncan and conducted by Richard Armstrong, provides an unusual opportunity to see the opera in the context originally conceived for it as an operatio divertissement, to be performed in a version of Molière's play Le Bourgeois Gentilhomme. The play is performed in English in a translation by Jeremy Sams; at the Edinburgh Festival Theatre; Aug 20

Festival of the Dove): music by Tomas Breton (1894), text by Ricardo de la Vega. Performed In Spanish with English supertitles, in a production directed by Calixto Bielto. With the Scottish Chamber Orchestra, conducted by Miguel Roa; at the King's Theatre; Aug 18, 19

■ LONDON

CONCERTS **BBC Proms, Royal Albert Hall** Tel: 44-171-589 8212 BBC Scottish Symphony Orchestra: and the Helsinki University Male Chorus conducted by Osmo Vänskä in works by Sibellus. Including the London premiere of newly rediscovered tone-poem The Wood Nymph, with soprano Kirsi Tilhonen and baritone Jukka Rasilainen; Aug 20 London Philharmonic

Orchestra: conducted by Sir Charles Mackerras in works by Schubert and Brahms, part of the Scariatti and Schoenberg; Aug 20 Proms anniversary celebrations of

both composers; Aug 21 ■ London Sinfonietta: conducted Ariadne auf Naxos: by Richard Strauss. This Scottish Opera production, directed by Martin by Markus Stenz in a programme of pleces billed as 1990s classics: Oliver Knussen's Two Organa, Simon Bainbridge's Landscape and Memory, Sir Harrison Birtwistla's Ritual Fragment, George Benjamin's Three Inventions and Thomas Adès' Living Toys. With hom soloist Michael Thompson; Aug 19 Orchestra of the Age of Enlightenment and Choir of the Enlightenment conducted by Mark Eider in works by Beethoven, Mendelssohn and Berlioz. All La Verbena de le Paloma (The three works were conducted by

■ LUCERNE

Aug 19

CONCERTS International Festival of Music Tel: 41-41-210 3080 András Schiff: recital of Schubert piano sonatas; at the Union; Aug 19, 21 Baritone Oliver Widmer: performs works by Schubert, accompanied by András Schiff; at the Union; Aug 20 London Sinfonietta: conducted by Markus Stenz in works by Rihm, Benjamin and Knussen; with soprano Rosemary Hardy; at the von Moos-Stahl-Halle; Aug 21

Royal Philharmonic Orchestra:

programme including Tchalkovsky's 1812 Overture and

conducted by Carl Davis in a

featured composer-conductor

Brahms in Vienna in 1873-4:

popular film themes: at the von-Moos-Stahl-Halle; Aug 20

PARIS **EXHIBITIONS**

Jeu de Paume Tel: 33-1-4703 1250 César: major retrospective of ona of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects loaned from museums and collectors in France and abroad; to Oct 19

Musée National d'Art Moderne, Centre Georges Pompidou Tel: 33-1-4478 1233 Fernand Leger: retrospective of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction, but whose experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel to Madrid and

■ PESARO

New York; to Sep 29

Rossini Opera Festival Tel: 39-721-33184 CONCERTS Rossini's Petite Messe Solennelle: performed by soprano Carmela Remigio, contratto Mariana Pentcheva, tenor Juan Diego Florez and bass Michele Pertusi. With planists Arnold Bosman and Rosetta Cucchi, and Federica lannella on harmonium; at the Teatro Rossini:

• Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 20

● Moise et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera - created as Moses in Egypt in 1818 - is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 21

■ SALZBURG Salzburg Festival Tel: 43-662-844501

Residenzhor: Aug 19

OPERA

 Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the

 Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonie Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus;

Aug 20 Wozzeck: by Berg. Conducted by Claudio Abbado in e new production directed by Peter Stein, with sets by Stefan Mayer.

Bryn Terfel sings the titla rola. With the Vianna Philharmonic and the Konzertverinigung Wiener Staatsopernchor, at the Grosses Festspielhaua; Aug 19

THEATRE

Der Alpenkönig und dar Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 20

SANTA FE **OPERA**

Santa Fe Opera Tel: 1-505-986 5900 Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 21 ● La Traviata: Linda Brovsky

directs this new production of Vardi's opera, set in tha Pansian demirnonde. Christopher Larkin conducts; Aug 19

■ TANGLEWOOD CONCERTS

Tangiewood Festival Tel: 1-617-931 2000 Pianist Peter Serkin: performs works by Takemitsu, Reger and Beethoven; Ozawa Hali; Aug 21

■ WASHINGTON

DANCE Wolf Trap Tel: 1-703-218 6500 Tharp!: programme of new works presented by Twyla Tharp's new dance troupe; Aug 19

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deserve the henefits of

only in local phone service

and cable TV, but also in

America's difficulties in

implementing fully competi-

shifts its markets to a com-

petitive model. Regulators

must set out from the start

clear and realistic guide-

lines, enabling companies to

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quickly. Regulators must

also keep the interests of

customers first, and not be

ensnared by the tactics of

companies that simply want

to preserve past advantages.

This is what we look forward

to in Belgium and Hungary.

two countries where Ameri-

tech is helping to transform

telephone companies into

more competitive enter-

The Telecom Act chal-

lenges US regulators to start

up competition, police it for

fairness and trust that cus-

tomers will make it work as

it does in virtually every

industry to end its infight-

ing, bickering and finger-

pointing - in other words, to

stop competing for rhetorical

advantage and start compet-

ing for customers. Soon we

will see who's up to the task.

Richard Notebaert is chair-

man and chief executive offi-

The act also challenges the

other business sector.

prises.

long distance.

End this waiting game

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Since then we've done everything to hold up our end of the bargain, As a result our mid-western US markets are the most open anywhere in the world. We have agreed to interconnect our facilities with those of 56 other companies. So far 111 companies bave petitioned regulators to compete in local service, and we have opposed none of them. More than two dozen companies sell phooe services to residential customers today.

Our local competitors include companies many times larger than Ameritech such as AT&T and BT/MCI, as well as dozens of startups. Customers have switched more than 250,000 phone lines to competitors and that number grows by thousands each day.

Ameritech's commitment to comply with the letter and the spirit of the Telecom Act is widely acknowledged. In June the US Department of Justice said: "Local competition is beginning to take



Richard Notebaert: 'time to open up long distance markets'

root in Michigan." And even Tim Price, president of MCL has called Ameritech "the most inviting to competition" of all the Baby Bells. It is time to open up long distance markets to competition from Ameritech. The sooner long distance competition begins, the sooner cusand small business, not only tomers will benefit: they will the telecom elite. save almost half a hillion dollars each year in the state

of Michigan alone. So why hasn't Congress's intent been realised? First, there is no realistic road for competition. Whether or not the FCC opens long distance markets to Ameritech today, it can advance the process. It should reject vague tests and impossible hurdles and instead provide realistic guidelines for local companies to enter long distance.

Second, regulators must

see through the stalling tactics of the long distance cartel. Long distance companies have been encouraged to believe the longer they stall full-scale entry into local markets, the longer they can preserve the status quo and guarantee their own profitability. As customers well know, the big three US long distance companies have raised prices in lockstep - 31 per cent from 1990 through 1996. Only new competition not seeking a free ride. can reverse this trend.

In the meantime, long distance companies are quietly cream-skimming the most profitable business and residential customers. Again, they are undermining the purpose of the act. which was to bring the benefits of competition to every home

Purely as a diversion, the long dietance companies loudly complain bow difficult it is to enter local markets. They moan about the capital requirements of the local service business, which is four times more capitalintensive than long distance. They pose hypothetical questions carefully calculated to stump regulators and forestall competition. And they have made it a habit to blame others for their own miscalculations.

Yet there's a growing recognition that they have created these problems for themselves. Our local markets are fully open to them today and dozens of entrepreneurial firms are growing quickly by making the competitive model work. It is high time that the giant long distance companies realise what the Telecom Act was about - taking risks in markets, not guaranteeing success; making investments. The Telecom Act will cer at Ameritech

A way through the fog work, but only when compa-Local monopolies nies are willing to take risks, have resisted make significant investments and compete against all efforts to incumbents. Ameritech has allow access to demonstrated this in mid-

their markets most exciting scenes of the out as local telecom services move from monopoly to competition in the US. Following a worldwide trend toward competitive communications, the opening of the \$100bn US local market promises to turbo-charge the information economy.

to the promise of the Tele-com Act. But customers Unfortunately, the play is increased competition not dragging. Monopolists, like absolute monarchs of any description, do not part with power easily. And the clearly stated purpose of Congress in the Telecommunications tive telecom markets provide Act of 1996 - robust local service competition - has clear lessons for Europe as it degenerated into what Reed Hundt, chairman of the Federal Communications Commission, calls the "pervasive fog" of litigation, obfuscation, delay and obstruction.

The clear intent of the act has been systematically opposed by those who fear competition in their areas the six regional monopolies: Ameritech, Bell Atlantic, SBC. Bell South and US West and GTE.

This resistance to competition is nothing new. We fought for years to win the right to compete against the Bell system. That robust competition in the US long distance market, with 600 different competitors, has brought to consumers the tremendous benefits of true competition: a 70 per cent reduction in prices, better service and a wider range of

The 1996 Telecom Act was designed to bring exactly those same fruits of competition to the local market. But local companies are merging rather than competing, seeking to thwart competition instead of advancing lt, shamelessly exploiting their ordered to do so, the local



Bert Roberts: 'unfortunately, the play is dragging'

Because of their long-standing monopoly, the regional companies control the last mile of connection to homes and businesses. For that reason, the US Congress and President Bill Clinton were clear that they should allow new competitors interconnection to their systems That's the only route to com-

To that end, the act mandated that the local monono lies must open their markets to true competition before they are permitted to sell long distance to their captive customers. In other words, first things first. But, even with that incentive, the regional monopolies bave systematically resisted all efforts toward vibrant competition

The FCC issued comprehensive rules to open local markets. The local monopolies appealed to the courts despite the fact that many of those sama monopolies take advantage of market-opening policies in the UK that they esist in the US.

MCI and other new competitors were forced into dozens of arhitration proceedings to get interconnection agreements. But, again, the local monopolies appealed and delayed. In fact, more than a year after they were monopolies have only executed about one-third of the interconnection arrangements that MCI had ordered. The FCC also reformed the accese charges levied hy local monopolies on long dis-

tance companies to begin and end telephone calls in their territories. But the monopolies appealed to the courts in an attempt, once again, to forestall competi-To be sure, local monopo-lies have learned the rheto-

ric of competition. But they resist the reality. Their rhetoric is belied by the facts. Ameritech, for example, likes to assert that it has welcomed competition since 1993, and that there is now a robust level of competition in its area. But Ameritech controls about 99 per cent of its market; the regional monopolies control similar amounts in their areas.

Local monopolies also claim they have already moved to comply with the requirements of the Telecom Act, Again, using Ameritech as an example, the relevant state commission and the US Department of Justice have both found that Ameritech has failed to open its local market as the act requires. The evidence is clear: public. officials must ensure that open markets come first; competition, including com-

ordering systems, are in place; that anti-competitive conduct by the incumbent monopolies is prohibited; and that the rules of competition are vigorously enforced. In sum, they must ensure consumers have the right to choose their local telephone provider.

MCI is eager to provide the benefits of competition to those consumers. By the end of this year MCI will have spent \$2bn building our own local facilities. We've had to finance that infrastructure development out of our own cash flow, unlike the monopolies, which for decades have enjoyed cash-flow margins in excess of 40 per cent.

When we sought the right to compete against AT&T, we were a much amaller company pushing against a much larger door. Once we got through, more than 20m US consumere exercised their new freedom of choice in long distance and signed with MCI. Today, MCI is among the 50 largest US companies, with annual revenue of more than \$18.5bn. The local US market we are targeting is a tremendous opportunity, larger than the long distance market, with much greater margins.

We've no doubt that when the local markets are opened we'll find demand for the fruits of real competition equal to that we found in long distance. Opening markets is never easy. But MCI has learned both in the US and internationally that companies moving first into markets get most in terms of

market share and profits. We are confident that real competition will come to local markets. Increasingly, if belatedly, regulators recognise the value of competition. The full promise of the Telecom Act will only be realised with the help of rigorous regulators, eager competitors such as MCI, and enlightened consumers who can see through the monopo-

Bert Roberts is the chairman

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We are keen to encourage letters from readers around the world. Letters may be linked to 1441 [073 5530 followers to fine], e-mail: letters editor@fi.com Published letters are also studiable on the LT well site. Hit of Translation may be available for letters written in the main international lineautopes.

US efforts to reform UN reflect bipartisan and centrist position

From Mr Philip Christenson. Sir, It ill serves readers to paint Congressional efforts to force UN reform as a scheme of arch-conservatives, rightwingers and other fringe groups, as your Washington correspondent Bruce Clark did ("US on world mission to win UN reform con-

verts", August 11). It does readers an equal disservice to label criticism of European aid to Africa as a "hugbear for the right" and imply that the US shift in emphasis in Africa from aid to trade and investment is limited to the "US right".

UN reform legisletion this

year was approved by a 75-23

vote in the US Senate and thus reflects e bipartisan, centrist position.

Congressional efforts to reform the UN began in 1983 when senator Nancy Kassebaum, normally considered a "moderate Republican", successfully proposed withholding full funding until the UN reformed itself For 14 years, both Republi-

can and Democratic majorities in Congress have withheld UN funds until reforms were adopted.

Equally significant, the Clinton administration blocked the reappointment of secretary general Boutros Boutros Ghali because of

his failure on UN reform. A bipartisan legislative/ executive consensus to shift policy in Africa to trade and investment promotion also exists, led by congressman Jim McDermott, normally considered a very liberal Democrat. His bill, the African Growth and Opportunity Act, is co-sponsored by liberals and conservatives in both parties. It has been endorsed by Speaker Newt

Philip Christenson

Gingrich and by President

Clinton.

2705 Unicorn Lane NW Washington, D. C. 20015, US

Anglo-Saxon character hard to identify

From Mr John Dickie. Sir. Understanding the genesis of Anglo-Saxon ettitudes is a complex and inevitably subjective task which is not helped by inaccurate historical analysis ("The Wasp takes flight", 16/17 August). The chronology of Britain (or at least that part

goes roughly like this. Tribes of indigenous Britons are conquered by Romans. The Britons are, to a greater or lesser extent, romanised, and follow their masters' conversion to Christianity. The Romans leave

of it now known as England)

then invaded by tribes from the continent - most famously the Angles and the Saxons. They are pagans, although some Britons conquered by them may have maintained their Christian worship.

Searching for an "indige-

nous Anglo-Saxon charac-

ter" hy turning back to

before the Romans would. therefore, be difficult. The author's confidence in the "striking tolerance" of English heathenism" is difficult to substantiate. Clearer is the lack of such tolerance from the Vikings, around 410 AD and Britain is who play some rola in the

genetic heritage of these parts, as indeed do the Normans.

Anglo-Saxon attitudes - et least from 1066 on - are a. somewhat more complex mix of characteristics than your article suggests. Attempts to root the redesign of BA's logo in the views of "Britain" at some uncertain point, when the term had no more than geographical meaning, inform us about neither our past nor our present.

49 Burghley Road, London NW5 1UH, UK

Let India celebrate, if only for a moment

From Mr Narayan Ramachandran. Sir, Mark Nicholson

"India's 50-50 record". August 15), attempts a dispassionate assessment of India's path since independence. Alas, the operative word seems to be "dispas-

India is a vibrant, colourful, messy democracy that is 50 years old - a mere teenager among democratic nations. Need I remind Mr Nicholson that, in cootrast, other democratic countries bave had what could only he

described es troubled adolescence.

The US, for one, engaged in a civil war nearly 75 years after proclamation of a republic, abolished slavery over 100 years after independence from the crown, and has yet to elect a woman as head of state. In india, individual liberty

and freedom of opinion are enjoyed by every man, woman and child; big brother doesn't watch over a citizen's every action; the army has stayed confined to the barracks; and for a substantial part of the population life is uncomplicated

and happy. If only for a moment, let India celebrate: For in this celebration she can energise herself for the tasks that still lia ahead. A moment of rest, a pat on the back and then onward. Step out of the way, Mr Nicholson

Narayan Ramachandran, principal, Morgan Stanley Asset Management. New York. NY 10020, US

Cry wolf is what Greens do best

From Mr Roger Bate. Sir, It was good to see that the FT has not lost its ability, in these politically correct times, to analyse an issue on its merits.

Your Leader "Protesters in deep water." (August 12) accurately portrayed the level of scientific uncer-. tainty still surrounding the climate debate as well as the "risible" campaign that Greenpeace has been mounting against the continuing exploration for oil by Shell and BP.

I have watched and issessed Greenpeace's activities over the years and have become less and less convinced by it. For example, this present campaign began in the 1970s, based on its "limits to growth" arguments and its claims that we would soon run out of oil. However, energy prices continue to fall and the oil shortage and lower growth have still not arisen.

ironically, the Greens insist that we now fulfil their early prophecies by abandoning oil exploration Greenpeace demands that we must develop alternative. more expensive, and far less efficient, energy sources induces global warming.

But is man-made warming likely to be dangerous? Anyone who is old enough to remember the "imminent ice age" scare of 25 years ago will know that crying wolf is what Greens do best. Despite the fact that the

world is getting safer and cleaner as wealth increases, Greenpeace may still find an issue worthy of its attention. However, like the little boy who cried wolf, it may have lost the interest of a responsible public irritated by its continued alarmist rants.

Roger Bate. director,... Bavironment Unit. institute of Beonomic Affairs. 2 Lord North Street.

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FINANCIAL TIMES TUESDAY AUGUST 19 1997

FINANCIAL TIMES

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Tuesday August 19 1997

Cyprus and the EU

last week inderlined the intrac-tability of the island's problems, despite the recent detente between Greece and Turkey. If there is any consolation, it is that the Cyprus problem remains intractable for a happy reason: neither side suffers acutely enough for the advantage of a settlement to outweigh the risks its leaders would take

in making concessions. The Greek Cypriots are still resentful at being excluded from two fifths of the Island, in which many of them had their. homes before 1974, but they are prosperous enough to live with it so long as they do not have to accept it as permanent. The Tunkish Cypriots, living in an unrecognised state under economic embargo, are less prosperous hut feel safer than when they were scattered throughout the island without the Turkish army to protect them. ..

The new element which might just change this balance of discomfort is the prospect of membership of the European Union, on which talks are due to open

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ing blocked a settlement. The Turks should see it as an oppor Turkish Cypriots have been tunity, not a threat.

The failure of talks on Cyprus told, at least implicitly, that membership can go ahead without them if they are the ones who appear unreasonable.

So far, however, neither side in the way the EU hoped. Glafcos Clerides, the Greek Cypriot president, clearly feels unable to make any substantive conces sion before next February's presidential election, in which hawkish parties are likely to arbitrate a run-off between him and a candidate backed by the island's cautious and still pow erful communist party. Meanwhile his Turkish Cypriot counterpart Rauf Denktash, backed hy the Turkish government, says he cannot negotiate under the "threat" of one-sided EU admission talks.

Mr Clerides should be tactically hraver, and aim at having a peace process so far advanced by next February that moderate voters are unwilling to risk upsetting it. But the Turkish side - in Cyprus and on the mainland - needs to start thinking strategically. EU membership would offer Turkish Cypriearly next year. In theory this ots the chance to combine should put pressure on both security with prosperity and sides, since neither can afford to freedom of movement. Together be blamed for the continued with a settlement giving them division of the island an important say in Cyprus gov-Greek Cypriots know they ernment policy, it would also will not gain admission to the enable them to act as advocate EU if they are perceived as hav- for Turkey within the EU.

Menem's legacy

seem, amid strikes and protest. tion unions, the country may be President Carios Menem's free market economic model.

The flamboyant Peronist

leader is the architect of economic revival. Following hyperinflationary chaos in the 1980s. Argentina has achieved price convertibility and privatisation, stability and strong growth together with policies to create Convertibility with the dollar jobs, improve education and has brought anti-inflation credi-spur institutional reform. bility unlike in Mexico. This external discipline has been combined with a programme of of austerity, privatisation, deregulation, and trade and investment liberalisation. Growth this year is forecast at 7-8 per cent.

As economic order has been restored, foreign investment Worth \$22bn flooded in between 1990 and 1996. However, reform has also created an unpleasant side-effect: a rise in unemployment as previously feather-bedded nationalised industries shed labour. So far, thanks in part to suffocating labour market restrictions, higher growth has not been enough to drive unemployment below 16 per

The recent strikes were called in protest against Mr Menem's labour reform plan. However.

Argentina retains its capacity to the new Alliance for Work, Jus-surprise. Unlikely as it may tice and Education - bringing together the centrist Radicals marches orchestrated by opposi- Argentina's oldest political party, and the centre-left Fredeveloping a stable two-party paso, one of the newest - has system based on acceptance of given the unions only lukewarm support. Along with the more traditional Peronists, the alliance now largely accepts the benefits of economic reform. In campaigning ahead of October's mid-term elections, it supports

The alliance, which does not yet cover the whole country, could fall apart. But, a pact in the capital and in Buenos Aires province could be enough to deliver a majority in the lower house in October. This would leave Mr Menem with two years of uncomfortable cohabitation. Moreover, the threat of a cred-

ible opposition in the 1999 presidential election, when Mr Menem is due to stand down, could mean that the initiative in the Peronist party passes to Eduardo Duhalde, governor of Buenos Aires and front-runner for the nomination. Whoever comes out on top, however, the signs are that decades of ineffective politicians and military meddling are at an end. If eco nomic reform and political stahility endure, Mr Menem will free market policies, and a new have bequeathed a remarkable

COMMENT & ANALYSIS

From minor to major

Formerly monolithic state oil companies are at last challenging the western majors on their home turf, says Robert Corzine

he sleepy giants of the world's oil industry are stirring. Some of giants are the state oil companies of Asia, the Middle East and Latin America.

For years most stayed at homa, growing rich on their position as the landlords of the oil business. A few, such as those from Kuwait and Saudi Arahia, made occasional forays into their main export markets to huy refineries or filling stations. But when it came to building global husies, searching for, producing and selling oil and oil products, western majors had the world to

Now, that may he changing. Companies such as Petronas of Malayaia and China'a National Petroleum Corporation are using their political connections to challenge western oil majors at their own game. Both have bought companies as far afield as Kazakhstan and South Africa, as they move into that last and most lucrative bastion of the western oil majors: the international exploration and development business. Meanwhile, Venezuela's state-owned oil company has become the largest retailer of petroleum products in the US.

The state companies are hoping to benefit from their political advantages in emerging markets. They are willing to do deals in countries that are out-of-bounds to many of their western competitors. They have the backing of their governments and, in some cases, their national treasuries.

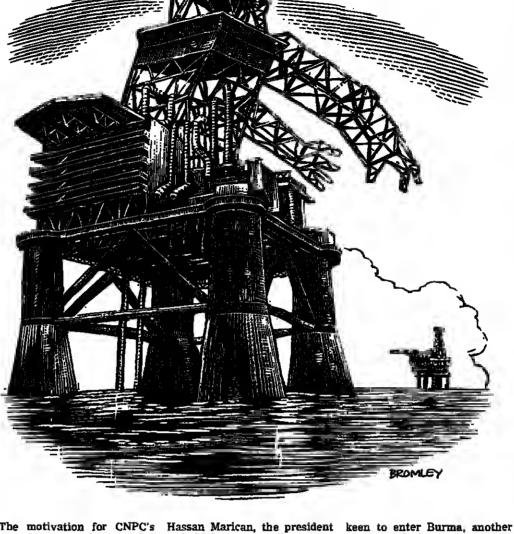
Success is far from assured. Earlier - albeit less ambitious attempts to expand in the US and Europe came to little. And the companies still have considerable disadvantages to overcome, in particular a shortage of technical skills and of senior managers with international experience.

As Mr Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK arm of the giant Anglo-Dutch group, says: "The competitive landscape has changed a lot hecause of the state oil companies." And if they contime to use their advantages to expand abroad, they could well provide the first big challenge that the western majors have seen for years.

Asia, the world's fastest-growing oil market, is home to the two most aggressive state oil companies: China's National Petroleum Company (CNPC) and Malaysia's Petronas. This summer CNPC, which has

a near monopoly of China's oil market, bought a 60 per cent stake in the Aktyubinsk oil field in western Kazakhstan for \$325m in cash, plus a promise to invest a further \$4bn over 20 years. Much of this will be spent on a pipeline to the east that will rednce Kazakhstan's dependence on Russia (much Kazakh oil goes to world markets through Russtan pipelines).

Despite strong US diplomatic pressure on the Kazakh government CNPC won out over a consortium led by Amoco, the US oil group, for the exclusive right to negotiate a contract to develop Kazakhstan's giant Uzen field. Recently CNPC outbid several western oil groups to secure a \$358m deal to develop two Venezuelan oilfields. It also has a \$1.3hn agreement with Iraq to develop the Al Ahdab field when UN sanctions are lifted.



The motivation for CNPC's aggressive expansion appears straightforward. Although it is the world's third-largest oil producer, China's rapid economic replace older fields. Some forecasts suggest China, which until a few years ago was self-sufficient in oil, may need to import 4m barrels a day by 2015; that is equivalent to half of Saudi

Arabia's total current output. "China fears a growing vulnerahility," says Mr Fergus MacLeod. oil analyst at NatWest Markets in Edinhurgh. He helieves China may view neighhouring, oil-rich Kazakhstan in the same way as the US looks on Saudi Arabia, as a "captive" source of future oil supplies.

In Malaysia, declining domestic oil production is also one reason behind the international expansion of Petronas. From his office in the 88-storey Petronas twin

Saudi Arampo National Sauden Oil Company Chang Magional Petroleum Company

Royal Offict/Shell Rowalt Petrologin Corporation

Aby Dieti National Off Company

Worldwide oil production ... the ton 16

Companies producing more than 1m barrels a day

and chief executive officer, oversees an ambitious plan to turn the company into the first "Islamic major". By 2005, he says, growth is outstripping CNPC's Petronas will derive about 30 per ability to find new reserves to cent of its revenues from overseas operations, compared with less than 10 per cent today. Earlier moves by Middle East-

ern producers to diversify were motivated largely by a desire to secure specific markets in the main industrialised countries. Even Kuwait, which diversified most amhitiously did so slowly and somewhat half heartedly. By contrast, Petronas wants to translate its political and religlous connections into a broadbased international energy group, with much of its invest-ment directed at Moslem and developing countries.

Earlier this year Petronas mies. defied US sanctions on Iran by

country which is becoming a no-go area for US companies.

Companies such as Petronas and CNPC have several advantages over their western competitors. The most important of these is their willingness to invest in countries that are seen as politically embarrassing for their west-ern counterparts. "In areas where western companies find it unattractive, many national companies simply say: 'whoa, here's an opportunity,'" says Art Smith, chairman of John S. Herold, a US oil consultancy.

Some analysts think Pertamina of Indonesia and PTT of Thailand will eventually follow CNPC and Petronas into the international arena, huying upstream assets. They too face declining domestic

But others wonder whether joining with Total of France to they have the political support, develop two offshore Iranian oil- or the technical competence and towers that dominate the Kuala fields. It is also active in North the large amounts of cash that Lumpur skyline, Mr Mohamad Africa, Syria and Sudan and is such a step requires. Pertamina

could also be hampered by its membership of Opec. Members of the exporters' group may be reluctant to invest in production capacity in countries not subject to the group's restraints lest they are accused of undermining the Opec production ceiling. That may explain why some of the big-gest state oil producers in the Gulf have made only tentative steps into the upstream business internationally.

It is true that the National Iranian Oil Company has recently ioined international consortia developing giant fields in the Caspian Sea off neighbouring Azerbaijan. "But that is driven by the geopolitics of that region, says Julian Lee, an analyst at London's Centre for Global Energy Studies, and should not be interpreted as a sign of a general international expansion.

In the downstream sector, however, matters are different. Here, Gulf companies have argued that foreign investment in refineries and marketing outlets secure long-term markets for their crude oil. So in these areas. Onec members have been adding to the pressure on the oil majors.

he trend towards greater international downstream investment hy Gulf producers is expected to accelerate, Arab Petroleum Investments Corporation, the finance group owned by 10 Arab oil producers, this month announced that for the first time it will expand beyond the Middle

The downstream husiness has also been the preferred method of expansion for Petroleos de Venezuela (PDVSA). Over the past few years PDVSA has focused on the US, which consumes 70 per cent of Venezuela's output.

The expansion of large producers into the international downstream industry has coincided with a general retreat from downstream operations by western oil majors, which complain ahout low margins and fierce competition in this part of the oil business. In contrast, the state companies seem willing to accept low rates of return in order to secure markets for their crude.

But it is the entry of the state or newly privatising companies into the international upstream sector that poses the greatest threat to the western majors. which are enjoying their highest reserves and fast-growing econo- returns from international oil development projects since 1984. BP, for instance, recently reported a 19 per cent return on capital employed

The battle is likely to be tough. There does not appear to be room for all the newcomers and the established companies. Mr Franco Bernabé, chief executive of ENI, the partly privatised italian oil group, believes that "the explosion of the number of competitors" will prove unsustainahle. It is possible that, to avoid what they see as damaging competition, the two sides will seek alliances, linking the advantages of western majors - such as technical and marketing skills - with those of the newcomers, especially their reserves.

But that is unlikely in the short term. "The problem is that the newcomers are all following the same strategy," says Mr Bernabé. "Everyone wants to be an international oil major."

The countryside

Such is the affection of English experience demonstrates that men and women for the countryside that many want to live in it. Fearful of this prospect, the Council for the Protection of Rural England believes the government should keep the urban masses where they belong. The CPRE'a latest blast - against official estimates of the need for building land - is consistent with this purpose. In their own terms, its criticisms may be right. But the fundamental point is that the planning process is absurd.

At present, the control of land use for housing is governed by a system of central planning, laid down in the beyday of Old Labour, back in 1947. It starts with a government forecast of the number of households, the present assumption being that the number will increase hy 4.4m between 1991 and 2016. Housing requirements are then planned in a "cascade" fashion. through layers of local plans, with requirements for the release of greenfield sites derived as a residual.

Happy to play this game, the CPRE argues in its report, More Welcome Homes, that governthe likely availability of "windfall" sites. As a result, planners overestimate the need to buildon England's green and pleasant countryside. Their failure is to allow adequately for the rate at which the use of developed prepared for such a reform is land is likely to change. Past one test of its radicalism.

windfalls will arise in substantial quantities, with over half of all new housing coming from such sites.

Inevitably, the government denies the CPRE's charges. Yet this is only a technical dispute between two parties who ahare a belief in physical controls. The fundamental question is why government should be telling people where to live.

One answer could be that the countryside would otherwise disappear. It is worth noting, however, that in 1991 only 10.6 per cent of England's land was in urban use. Even the government thinks this should not be more than 11.9 per cent by 2016. The country is and will remain overwhelmingly rural.

A second answer is that there is a value to the countryside thet housebuyers do not allow for in their decisions. This is certainly true. But it is still possible to use prices, rather than the blunt instrument of quantitative controls. Charges can be set for lost amenity value, with development permitted when developers can pay them.

The arrival of a new government methodology means that ment supposedly converted to local authorities underestimate market mechanisms is an opportunity to reconsider town and country planning. The same objectives could be served more sensitively by market-hased

Whether the government is

Shoe of want to be remembered as the torce

Ernst Thomke, the Swiss banks' favourite troubleshooter, is in trouble. The man who helped salvage the Swiss watch industry, restructure its electric utilities and rescue its only aircraft producer is in danger of being outmaneuvered by elderly heiress Hortense Anda-Bührle. Thomke was hired nearly two years ago by sprawling Swiss

conglomerate Oerlikon-Bührle to turn round its Bally luxury shoes husiness. It has taken longer than expected as Thomke has also been busy rescuing textile machinery company Saurer, but now Bally has his undivided attention. Thomke's prescription is to

raise money by a partial flotation, but that has gone down like a lead balloon with 70 year old Anda Bührle. daughter of the founder of Oerlikon-Bührle, who controls 31 per cent of the company and is believed to be grooming her son Gratian, a McKinsey consultant. to take over.

Thomke has waged a media campaign and threatened to quit if he doesn't get his way. But yesterday's showdown with Anda-Bührle and the Bally board. Observer hopes that this ended with Thomke still in post. Maybe Anda-Bührle is gambling that Thomke, now 57, doesn't

man who failed to rescoe Bally.

Crime count

■ It's not just Japanese companies that are reorganising: Tokyo police say the country's yakuza criminal gangs have started a spot of quasi-corporate "restructuring". Not that the line between legal and illegal business is always easy to see in Japan - a yakuza's divisions may be gambling and prostitution rather than finance and marketing, but their executives operate openly out of similar plush offices.

The Yamaguchigumi yakuza syndicate, which has 18,600 'employees" around Kobe, is leading the drive for slicker crime, say police. It overhauled its internal structure after some district leaders died and employee numbers have fallen by 100: it's believed that natural wastage was involved, rather than anything rougher. Police say it's heing done so

that internal fends "will not. provide the police with an excuse for arrests", which can disrupt the serious business of crime, it seems to have worked: no Yamaguchigumi feuds have been reported this year. apparent success for Japanese efficiency won't encourage the yakuza to follow every

management fad: de-layering could be very unpleasant.

Original

 Another one bites the dust at Philips. Tom Butler, the British chief executive at the Dutch electronics group's Origin computer services offshoot, is to "nursue interests outside the company". Still, his nine months in the top job was four more than Geoffrey Carroll, his American predecessor.

The two were recruited together from EDS of the US -Carroll as boss, Butler as finance chief - after Henk Cohen, who oversaw the creation of the unit. moved to an unnamed special project before quitting to join a headhunting agency.

There's no immediate successor to Butler, who's a chartered engineer. The unit's 11,000 staff in more than two dozen countries will be tended meanwhile by Jan Hommen, who joined Philips in April as chief financial officer and is on record as saying ne would "like" to see Origin become less dependent on Philips".

Hommen, s Dutchman who spent 19 years in Pittsburgh with Alcoa, has been supervising an overhaul of Philips' own IT setup, and has made clear that he is no sucker for the latest software wizardry, "At times you need to decide to skip e

generation - you can't always do what the computer companies tell you to." Now that's an attitude which

finance directors elsewhere will

Millennial vision

Bill Clinton isn't letting the millennium go to his head, though maybe it's hard to get excited about a year that marks the end of your presidency. Not for him the hype and flashy projects other world leaders are embracing.

Just before dashing off to his

Martha's Vineyard holiday, Clinton decided that something should be done about the year 2000 and unveiled the "White House Millennium project". Americans will be treated to a series of presidential lectures. exhibitions on the nation's cultural and scientific heritage and a comple of free concerts. There was a statement that year 2000 computer software problems would be taken seriously, but no specific pledge. . It's not the sort of stuff you might expect from a president

seeking to secure his place in history, hut it does have one redeeming feature for the boy from Little Rock. The whole thing will be orchestrated by the First Lady, supplying Hillary with reasonably uncontentious business for a while.

Financial Time

100 years ago

Useful Map Of Yukon We have received from the publishers, The Mining and Geographical Institute, a copy of a very useful map of the Yukon District, showing the different routes from the coast, plainly marked in red, giving distances &c. It has been compiled, we learn, from actual drawings made on tha spot, recently received from the Klondike District. It may be had from stationers for 6d. We have also received from Mr Edward Stanford a map which besides showing the position of the Yukon fields, takes in a mucb wider area, giving the whole of Alaska with the complete course of the Yukon river.

50 years ago

French Premier M. Ramadier, the French Prime Minister, despite opposition from the Communists and the trade unions under their control, failed to-day, at the Socialist Party Congress at Lyons, to prevail against its Left Wing adherents. Though the Congress was unanimous in voting confidence in him and unanimously refused to consider a re-entry of the Communists into the Government, it finally adopted a programme which by no means reflects the moderate views with which the Premier is associated.



Israel releases \$12m owed to Palestinians

By Judy Dempsey in Jerusalem

12

Israel yesterday started to release payments owed to the and excise duties, VAT Palestiniao Authority which returns, income tax and bealth were suspended this month in retaliatioo for last mooth's suicide homb attack in Jerusalem.

The decision to release Shk42m (\$12m), or shout 30 per cent of the financial transfers owed last month, was made after Benjamin Netanyahu, Israeli prime minister, consulted his foreign and defence

The prime minister's office sald the decision was based on "partial co-operation" by the Palestinian Authority in investigating the suicide bomb attack, and its swift arrest and sentencing of three Palestinians for the murder of an Israeli taxi driver last week.

Washington welcomed the partial thaw io relations about 60 per cent of our total between the PA and Israeli annual revenue." said Atef

government. The US and Euro- Alawneh, PA deputy finance pean Union have criticised the withholding of financial transfers, which include customs insurance fees paid by Palestinians working in Israel and the settlements.

Diplomats said the measures were counter-productive and could lead to further tension in the West Bank and Gaza, where unemployment is as high as 35 per cent. The financlal transfers are used to pay the public sector.

According to the Internatiooal Monetary Fund and Palestinian finance ministry, the reveoue clearance system, or financial transfers, agreed in April 1994 between Israel and the Palestinian Authority, forms a significant and stable source of reveoue for the PA. "The transfers make up minister, yesterday.

The ministry expects the transfers to amount to \$513m this year, compared with \$419.8m in 1996, although it will be difficult to meet this target as long as Israel maintains the closures reimposed on the West Bank and Gaza after the hombing attack. Maher al-Masri, Palestinian trade minister, said the closures were costing the PA \$9m

a day in lost revenoe. The PA's revenues for this year will total \$814m and expenditure will total \$866m. leaving a deficit of \$52m.

Tha PA wants the international donors to finance the deficit hut both the IMF and the World Bank are insisting that the PA consolidate its accounts. The IMF estimates that up to 25 per cent of domestic revenues are being diverted to accounts outsida

Relations thaw as Yeltsin meets Chechen president

By Chrystia Freeland

Relations between Moscow and the Chechen republic eased vesterday after a cordial Kremlln meeting between Borls recent threats from Grozny to Yeltsin, Russian president, and Aslan Maskhadov, Chechnya's

sharply divided over the question of Chechen independence. an issue which prompted Russia's failed 1994-96 war against Chechen separatists.

Mr Maskhadov, a former Soviet officer elected Checheo president in January, seemed pleased by the results of his discussioos with Mr Yeltsin. He praised the president and expressed confidence that the issue of independence could be

"Today, I saw in the presideot of the Russian Federatioo a man, perhaps the only man, who cao decide thiogs and make peace after 400 years of

war," Mr Maskhadov said. "Decisiveness is necessary, one must take responsibility, and I think Boris Nikolayevich has such qualities." The Checheo leader's words suggested that cut all cootacts with Moscow had been dropped.

Always tense, the relationship betweeo Chechnya and Russia had worsened over the past few weeks, the casualty of Moscow's failure to compensate the battered region for war damages and a spate of hostage-takings in Chechnya. The disputes risked jeopardising plans to route an international oil pipeline through the

cootested republic. Yesterday's meeting struck a friendlier note, although the two leaders still appeared at odds over sovereignty. "We are pressing today for the Chechen republic of Ichkeria (the Chechen nama for the region) to be recognised as an indepen-

Maskhadov. "Only time will tell what its form will be." By contrast, Mr Yeltsin said

he was ready to negotiate a long-term political deal with Chechnya, but made clear he would stop short of granting full, formal independence. "We will solve the problems as we did with Shamlev," the Russian leader said, referring to the extensive autonomy granted to the republic of

Tatarstan and its president, Mintimer Shamiev. The president's words were echoed by Ivan Rybkin, chief Russian negotiator in Chechoya, who said no pact with the regioo would be allowed to

infringe upon Russia's territorial integrity. "There may be many types kin said. "There may be differ

rates higher.

of status for members of the Russian Federation," Mr Rybeot sorts of eoclaves and so on. In any case, I am deeply confident that Russia's territorial deot, sovereign state," said Mr integrity will not be harmed."

The economics minister said

German unemployment gers" on inflation in spite of fears that the Bundeshank might this week push interest western hemisphere.

Percival Patterson of Jamaica, who is the chairman of Caricom, hava visitad Cnba recently. Trade and economic co-operation agreements have been signed on each visit. However, Caricum officials say Cuba was not being con-

By Canute James in Kingston and

Pidel Castro, Cuba's president. and the more recent Helms-Burton Act, which is intended companies involved in US

The 15-nation Caricom last month decided to consider a Cuban request for a free trade treaty, similar to that which the community is negotiating with Colombia, Venezuela and the Dominican Republic.

Ileana Ros-Lehtinen, US congresswoman and chairman of the House subcommittee nn international economic policy and trade, has introduced leg-Islatinn which, she says, "ensures that US tax dollars dn nnt indirectly fill Fidal Castro's coffers",

Under the legislation, countries that sign free trade agreements with Cuba or permit its membership in their trada pacts would be denied foreign aid - other than humanitarian assistanca and sought-after tariff reductions equal to those gained by

Free Trade Agreement. The legislation did not constitute trade sanctings, Ms Ros-Lehtinen said. Nor did it affect current trade between the US and Caribbean countries or prevent them trading with Cuba.

Several prima ministers from the region, including

sidered for membership.

Caricom hits at US move to penalise

Nancy Dunne in Washington A new trade row is brewing over attempts by US congressmen to force other countries to reject closer ties with Cuba. Members of tha Caribbean Community (Caricom) have rejected moves by US legislators to penalise them for attempting to fostar trade links with the government of

criticised the 35-year-old US economic ambargo on Cuba, tn punish businessmen and property confiscated by the Cuban government.

Mexico in the North American

Caricom ambassadors said in a letter to Ms Ros-Lehtinen: "[Our] relationship with Cuba is based on our firm belief in the principle of non-interference in the internal affairs of sovereign states as well as the right nf states to self-determination. Further, this relationship takes into account tha reality that Cuba is a Caribbean nation and part of the

The Cuban foreign ministry has described tha US lawmakers' move as "political terror

Cuba links

confounded the Cassandras, Losses were modest - a far cry from the meltdown many had predicted following Friday's heavy falls. But the outlook remains fragile. The eco-nomic fundamentals may remain essentially supportive - Goldilocks growth in the US, easy monetary policy in Europe - but the seeds of uncertainty have been sown. And just as momentum investing drove the market up, so it could work in reverse. The Dow Jones industrial verage is now more than 7 per cent below its 8,259 peak. If it falls 10 per cent - the accepted definition of a correction - it is a fair bet this would precipitate further heavy selling

While short rates remain on hold. it is difficult to see the bottom falling out of Wall Street. But the combination of concern about slowing corporate earnings, rising bond yields and dollar iltters makes further advances unlikely. And recent net outflows from US equity mntual funds simply confirm the readiness of investors to take profits when valuations look stretched and sentiment is uncertain.

Continantal European markets will take their lead from Wall Street. But they have an additional fear - German monetary policy. Their rally has been fuelled by the 35 per cent fall in the D-Mark against the dollar. But expectations of higher German rates threaten to reverse the trend. Much will turn on whether the Bundesbank is prepared to risk jeopardising European economic and monetary union - the possible price of a move to tighten

Argos

Argos, the UK catalogue retailer, is having a tough time persuading investors to take a steady view of its prospects. Last year they turned a deaf ear when the management warned against frothy expectations. The result was a spike in the share price, followed by a dramatic fall to earth when the company issued a profits warning in January. Now, unsurprisingly, the company is having trouble re-establishing its premium rating - the share, some 20 per cent off its 1996 peak, has underperformed even the dismal retail sector by 20 per cent over the

Judging by yesterday's interim results, no early improvement is likely. True, the past eight weeks have seen 8 per cent like-for-like

THE LEX COLUMN

Fragile calm

World equity markets yesterday FTSE Eurotop 300 index 944.5 (-6.6) S&P Composit

sales growth compared with 1996. But higher interest rates and the tailing off of windfall spending make this unsustainable. And while tha company has gained market share in most product ranges, this is no guarantee of exceptional per-formance. Indeed, with costs rising at some 4 per cent a year and gross margins set to fall by 0.5 per cent in the second half, it has to generate nearly 5 per cent like-for-like sales growth just to stand still.

With initiatives such as Argos Direct, new stores in Holland and the premier points scheme, the company is working hard to keep sales growing faster than the market. But their sustainability is questionable, and the underlying trend is less convincing. Taken with the group's higher risk profile the share, on a market rating of around 17 times 1997 earnings, looks fairly

UK food retailers

Safeway, the supermarket chain, will be delighted by the nonchalance with which investors greeted its latest price promotion. It has been in the tricky position of being regarded as charging higher prices than the UK's other big three supermarket groups. But it has been loath to do anything to spur competitive reactions. Its price pledge, however, comes at a time when the industry is anxiously playing up the possibility of a ceasefire on competition. So whereas Tesco's similar pricing initiative last September sparked a sell-off in supermarket shares, Safeway's move was greeted with the investment equivalent of shrugged shoulders.

UK supermarkets have been

going through one of the most harmonious periods of this decada There have been no price wars and J. Sainsbury has rebuilt sufficient momentum to lose its label of loose cannon. But the reason for the luli is simple. Given the dramatic drop in inflation, supermarkets had lost volume growth momentum and were under much more pressure resenius roup pro

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not to sacrifice their margins. However, inflation is creeping back, and the likes of Tesco will be anxious to protect their customers from Safeway. Besides, with £2.5bn (\$4bn) of annual capital expenditure from the big four this year, and not a lot of market growth, something has to give. The smaller retailers like Kwik Save and the Co-op may end up giving the most. But Safe-way has provided a timely reminder that there is no cosy oligopoly yet

Energis

Should shareholders in the UK's National Grid be inbilant that a minority staka in Energis, its telecommunications network, may be floated? It is not as if the Grid would be relinquishing control to someone better qualified. Nor does it need the cash. So the only pur-pose would be presentational focusing investors on Energis's attractions and, with luck, dragging Grid shares up too.

This is not to be sniffed at. But it is a sign of management failure that the option is even on the agenda. The fact is that Energis would be worth most as part of a bigger telecoms combine. It could then draw on a larger group's technical and marketing expertise. Big costs like customer support and product innovation could be pooled. In short, why float a minority stake when a trade buyer should pay

Let us dismiss, charitably, the possibility that the Grid hankers to retain control, Maybe the right buyer just cannot be found. But, if so, a full demerger would be a bet-ter second-best. Valuations for Energis are wildly divergent - fig-ures from £500m (\$815m) to £1.2bm are bandied about. Both a flotation and a demerger would donbtless deliver something in between, But that is a lousy outcome if you are an Energis bull. Hence the beauty of a demerger; unlike a flotation, it would let Grid shareholders choose. Bulls could keep their shares and enjoy the benefit if Energis spar-

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Mp/Ms: First name Job title: Office or D Home address: Country; London Business

BT-MCI Continued from Page 1

on its difficulties in "executing its local strategy". It explained that MCI was "presently exploring a series of steps to improve financial performance and to continue to respond to the increasingly competitive environment in the core husiness". addlug: "These decisions have not been finalised."

MCI declined to comment oo the issue of recegotiation but said it bad met its disclosure requirements and review teams were still meeting this week. BT refused to comment.

Europe today

should be fine with lengthy sunny

spells. Eastern Europe will remain

cool but generally dry with sunny

warm and mainly sunny although isolated afternoon showers could

more frequent and sometimes

thundary. The Mediterranean will

Scattered thundery showers will

Greece and Turkey, Western

cloudier with a mlx of sun and

gradually clear from tha Alps, Italy

periods. The Low Countries, Germany and France should be

spring up over north-w

have thundery showers. Five-day forecast

cent higher than a year before Official figures for the second quarter will be published on

Continued from Page 1

September 10. Mr Rexrodt said manufacturers' incoming orders were 12 per cent higher in the second quarter than the same period a

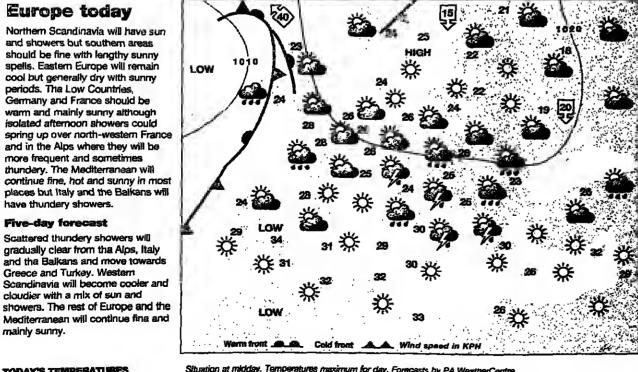
orders 43 per cent higher.

Germany had failed to cut unemployment because economic growth since the 1993 recession had averaged only a little over 2 per cent a year. Meanwhile, wage growth had exceeded productivity growth in the early 1990s, intensifying the goveroment's

year before, with foreign growth forecast for 1997 was unchanged at almost 25 per

rationalisation by German companies. In addition, proscent. A rate of between 2.5 and pects for recovery in eastern Germany had been "generally 3 per ceot is expected in 1998. Mr Rexrodt saw "oo danoverestimated".

FT WEATHER GUIDE



mainly sunny.

Accra Algiers Amsterda Athens Atlanta B. Arres B.Ham Bangkok

Lufthansa

Caratias Cardiff Casabler Chicago Cologne Daker Dallas Dalhi Dubai Dubai No other airline flies to more cities in Eastern Europe.

Sun 28 Fair 28 Fair 27 Sun 23 Fair 28 Shower 23 Shower 23 Shower 23 Shower 23 Fair 32 Fair 32 Fair 32 Fair 24 Sun 27 Cloudy 29 Fair 26 Fair 26 Fair 28

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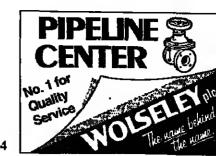
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Shower 18 Sun 30 Sun 29 Fair 27

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OTHE FINANCIAL TIMES LIMITED 1997

Tuesday August 19 1997



IN BRIEF

Fresenius health group profits up

Acquisitions helped Fresenius, the rapidly expanding German health products company, to a surge in net profits, masking problems at its new medical dialysis subsidiary. Page 15

Foreign demand boosts Volkswa Buoyant foreign demand, especially in Europe lifted sales at the Volkswagen Group – which includes the VW, Audi, Skoda and Seat brands by 12 per cent to DM56.6bn (\$30.70bn).

Southern happy at UK presence Southern Company, the Atlanta-based energy oncern, has no regrets about buying Britain'a South Western Electricity (SWEB), but will keep its presence in the UK under review, said A.W. Dahlberg, the US group's president.

DLJ in talks to buy London Global Donaldson Lufkin & Jenrette, the specialist US investment bank that has been expanding its European activities, is in talks to acquire London Global Securities, the securities lending company, for about £100m (\$163m). Page 17

Sprint to sponsor the Stones

Sprint, the US telecommunications company. has become the latest recruit to the fast-growing business of rock sponsorship by backing the Rolling Stones' forthcoming Bridges to Babylon world tour. The group's last tour was sponsored by Volkswagen. Page 16

Napocor warns as debt costs increase National Power Corporation (Napocor), the Philippines' largest state-owned utility, warned of a 40 per cent drop in net income to 3.35bn pesos (\$112.4m). The group, which is awaiting privatisation, said profits would fall from last year's 5.54bn pesos because of a 30 per cent rise in the cost of servicing its debt. Page 14

Banks inspect Kia books

The main creditor banks for Kia, the troubled South Korean carmaker, have begun an inspec-tion of its books to determine whether it should receive Won180bn (\$20.1m) in rescue loans following its attempts to restructure. Page 14

Computer giants aim at rivals' markets Sun Microsystems and Compaq Computer are taking aim at each other's core markets with computer products launched this week. Page 16

4 London Global

Companies in this issue

Aldi		CINTRACTS CONCINCI
Alfa Benk	15	MCI
Alliance Trust		Makro
Ameritech	. 3	Metro. A
Angel		Microsoft
Argos	12, 17	Milsui Construction
BCI	15	Monsento
Bb .	6	Monterey Resources
Boeing	2	Napacor
Brasthens Sate	13	National Advertising
Brazilian Smaller	17	National Grid
British Aerospace	. 2	Oerfikon-Bührle
British Biotech	17	Oneximbank
British Telecom	1, 16	Outdoor Systems
Burmah Castrol	17	PageNet
C&P Homes	14	PepsiCo
Cadbury Schweppes	6	Philips
Carisberg	. 16	Pioneer
Chevron	16	RJB Mining
Compaq	16	Recal
Cortecs		Renong
Dassault	2	SBS-Agro
De Beers	20	SWEB
De La Rue	6	Saab
Debswana "	20	Saleway
Den norske Bank	18	Sainsbury
Donaldson Lufkin	17	Saloura Capital
LONGUSCHI LUNCHI		Seat .

Koch Konstructiv Lockheed Martin

Fujitsu

GTech

Keppel

GEC-Alathor

Hewlett Paci

Market Statistics

24.25 FTSE Actuaries shere indices mark Govt bonds Bond prices and yields 18 London share service 19 New inti bond issues 18 Recent leaves, UK Flood interest indicas 30 Short term int rates 28 US interest rates 16 World Stock Markets

13 Teknex

16 Tesco

1, 14 Toyotz

14 Toys R (Is

6 Vietnam Airlines

Chief price changes yesterday

FRANKPURT	(DIII)				
Rives			Falls		
SAP	425.50 +	7	Missor Ortig	22.00	- 1.75
Falls			Machaezie Fo	27.50	- 265
SAM	1295 ~	39	Tolorark Fo	62.00	- 3.40
Heritz	147 ~	4.20	PARIS (FF1)		
Karstact	667.50 ~	11	Rises	٠.	
Lipde	1300 ~	27	Carrellour	3929	+ 31
Viag	755 ~	14	Fells		-
NEW YORK	5)		Alcate	208	- 21
Rises	•		Charpeus	325	13
ABN Atm	221 +	14	Denone	910	- 1B ·
Bony Pet	17% +	14	Geoglamique	845	- 55
Monterey RSCS	2014 +	54	Tectanio	703	÷ 21
Palls		-	TOKYO (Yes		
Allied Gro	454 ~	44	Mess	•	
GMette	818	3	Childre Bank	654	+ 24
Hendelt-Plat	62%	3	Chicken	600	+ 47
LONDON (Pe			Selbe Phony	2200	+ 190
Rises	2004		Falls	4000	T 100
Alfance Res	30 +	4	Arabian Dil	3300	- 110
Davin Tel Disk	255 +		(Bachi Cradit	2360	- 110
Petina	11814 +		. Control	2620	- 110
Wedderburn	211/2 *	3%	BANGKOK E		- 110
Fells .	2172 7	377	Rines		
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		12	Sumaggi Ins		
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	21.50 +	230	That Setaid	36.00	
Sevento Engy	1.45 +	0.62	Linked Comm	- 10 8.00	12.00

Morgan Stanley retained to prepare selling options for UK's Angel Trains

Rail leasing group may be sold

By Charis Gresser in London

Morgan Stanley, the US ness securities bouse. investment bank, has been Morgan Stanley was ratained to prepare Angel Trains, the UK rail leasing company, for sale.

The bank has been working

on various options for several months, including a possible flotation or a trade sale. Analysts reckon a flotation

could value tha business at some £1bn (\$1.6bn). The government sold tha business two backed by Nomura, the Japa- three years' worth of reported Lloyds TSB.

to handle the sala from among London. aix investment banks. The choice was partly because Angel may float in the US, where leasing companies typically enjoy better stock market ratings.

The bank is to present its findings to the company and Nomura within the next month. A flotation would have years ago for £672.5m to a to wait until next year, by

management team that was which time Angel would have figures. This is a requirement Morgan Stanley was selected of companies wishing to list in

> But a flotation could be knocked off course by a severe market correction or the threat of a steep rise in interest rates, which is damaging to the leasing sector.

Three UK banks are understood to have expressed an interest in buying Angel. Analysts speculated that The deal netted £57m profit for these could include Barclays, management and employees.

National Westminster and

A Nomura apokesman said yesterday: "The future of Angel is a question for the management of Angel." In 1995, the business made a pre-tax profit of £107m on turn-

over of £290m. Forward Trust, the leasing business on to Stagecoach. arm of Midland Bank and part of HSBC Holdings, acquired the Eversholt train leasing

Another sale of a rail leasing business, Porterbrook, to Stagecoach for £825m, caused a political storm. The deal was struck seven months after the business had been privatised for £527m. Its managing director, Sandy Anderson, made some £30m from selling the

annual figures showed Porterbrook was, in absolute numbers, its most profitable division, with operating profits of £79.6m on turnover of £180.1m.

companies to a more favourable political environment. The three were sold off at the low point of rail privatiaation, when the City feared a Labour government could re-national ise the industry.

Analysts attribute the jump in

the values of the rail leasing

One transport analyst said Last month. Stagecoach's yesterday there was still an element of regulatory risk, as prime minister, could move to impose price regulation on the

Hedge against price swings seen as aid to competition goals

Sydney to offer futures contracts on power prices

Sydney and Edward Luce

The Sydney Futures Exchange is to launch two electricity futures contracts based on the markets in New South Wales and Victoria which were

deregulated in April. .The contracts, to be launched on September 29, will be the exchange's first Australian energy contracts.

Australia is deregulating its electricity industry along the eastern seaboard to foster competition and allow users to choose their supplier.

The SFE is the latest in a exchanges to offer both futures and options on electricity prices. The New Zealand prices. The New Zealand Futures and Optione Exchange, which is owned by SFE theoretically could have the SFE, launched an electricity contract in November, after deregulation of the industry.

The New York Mercantile Exchange (Nymex) also offers tricity price pool." electricity futures and options, as does the SOM, the Stockholm-based exchange for Scan-

tries worldwide. In this more need US contracts." competitive environment, utili-

Generators, brokers and big commercial buyers of electricity could also benefit from the

According to Mr Les Hosking, chief executive of the SFE, the launch of the electricity contracts will help achieve the competition goals of the national electricity market as they reduce risk of exposure to sharp movements in the spot

He said he expected the contracts to be used by generators, distributors and industrial users. All SFE members will be entitled to trade the futures and "a lot of broking number of derivatives members of the exchange have signed up a number of customers already", he said.

one contract for each state connected to the national grid. "Over time it is envisaged that there will be one single elec-

The SFE already has an elecbut there is no dealing in the New York contracts at the Futures contracts are also SFE. Although US electricity traded over the counter. Ana contracts are available on lysts expect the market to Nymex, Mr Hosking said, grow with the deregulation of "There is no valid reason why power and electricity indus- Australian electricity users

The SFE would use its expeties can no longer automati- rience in energy contracts to acreen-based market. Each cally pass on price increases to apply them to natural gas and contract will equal 500 megacustomers, and need to hedge coal futures when those indus-



All SFE members will be entitled to trade the electricity futures

tralian natural gas market may be deregulated towards the end of next year.

"Our experience in electricity contracts will help us to develop a natural gas futures market," said Mr Hosking. The electricity contract will

be traded on Sycom, the SFE'a watt bours and will be quoted

tronic link with the Nymex tries are deregulated. The Aus- for each month np to 12 months ahead.

Under deregulation in Australia, power generated in New South Wales and Victoria now flows across state borders. Queensland is setting up a facility to interconnect with power from NSW.

Western Australia is being exclinded from plans for a make Metro the latest of a national pool because of its distance from other markets. nies with such schemes, is an

Metro bid placed on hold as Makro eyes other offers

By Graham Bowley

Metro, Germany'a biggest retailer, yesterday cast doubt on its takeover of Makro, the Dntch-owned cash-and-carry

Mr Erwin Conradi, chief between Metro and SHV Holdings, Makro's majority sbareholder, would not be concluded before late October. "SHV has made it known

that it is checking other offers. That is something one bas to take seriously," be said. But he stressed he was "not

nessimistic" about the proposed deal, announced last month. The two groups already have close links through Metro Holding's own shareholdings in the Makro

The deal could be Metro's from DM75.1bn in 1995. biggest shake-up since it was formed last year and is crucial to the retailer's international expansion plans.

Metro was formed through the merger of the cash-and-carry, department store and supermarket interests of the Metro, Kaufhof and Asko groups.

Yesterday's development came as Metro examined plans to give workers a greater stake in the company by introducing employee share ownership.

The move, which would

attempt to motivate workers as the retailer embarks on a period of international growth.

Mr Conradi said Metro was investing in expansion abroad, especially in Poland, Turkey and China. However, he hinted group, after it emerged that its that Metro would sell parts of target was considering other its husinesses if they failed to meet expectations. The company, which has about 14 difexecutive of Swiss parent ferent business areas, sold Metro Holding, said talks Unger, its loss-making furniture concern, last month.

Mr Conradi reported that the integration of the three groups was making good progress, but warned that the promised DM400m (\$217.3m) of synergies would not be felt until 1999,

Unveiling its 1996 results, Metro Holding reported an increase in sales and profits in what it said were difficult trading conditions because of weak consumer demand in Europe. Net profit rose to DM992m in 1996 from DM853.4m in 1995. Sales increased to DM76.4bn

The takeover, which analysts have valued at about DM4bn, involves Metro's purchase of about 86 Makro business ontlets in the UK, the Netherlands, Belgium, Spain, Portugal, Greece, Poland, the Czech Republic and Morocco. Metro Holding already owns up to a 40 per cent stake in the businesses. SHV owns the remainder.

The deal would also involve buying businesses in Denmark, Austria, Italy, France, Hungary and Turkey, where Metro already has at least a 60 per cent stake and management control.

Hewlett-Packard earnings disappoint despite growth

Hewlett-Packard disappointed Wall Street with much lower than expected earnings for the third quarter of the year, despite strong growth in orders and revenue.

The computer and electronics group reported net earn-ings of 58 cents a share for the three months to July 31, well below analysts' forecasts of around 68 cents a share. Net earnings for the quarter

were \$617m, a 45 per cent increase over net earnings of \$425m, or 40 cents a share, in the same period last year. However, last year's figures were depressed by a special charge related to HP's withdrawal from the disk-mechanism business. Without this have grown by only 11 per

shares fell 6 per cent to \$62% from Friday's \$664 close. Lew Platt, chairman and

chief executive, acknowledged that profits were disappointing. Sales costs had increased due to efforts to stimulate revenne and order growth. A delay in shipments of new medical equipment products, which typically carry high margins, had also taken its

Operating expenses increased by 18 per cent compared with the third quarter of last year. Expenses were driven up by costs related to HP's acquisition of Verifone and hy higher spending on stock appreciation rights, or SARs, a form of stock options. SAR costs were up because of a sharp increase in HP'a stock special item, earnings would price, which rose 33 per cent during the quarter. These fac-

share by about 7 cents, said Robert Wayman, chief financial officer.

Net revenue for the quarter was \$10.5bn, compared with \$9.1bn in the same period last faster than in recent quarters year. Net revenue in the US was \$4.8bn, an increase of 15 revenue from outside the US also rose 15 per cent to \$5.7bn. Orders hooked during the

quarter were \$10.4bn, a 19 per cent increase over last year's third quarter. The US led with 25 per cent order growth. International orders were up 15 per cent,

For the year to date, HP reported net earninga of \$2.8bn, up 19 per cent from \$1.9bn in the first nine months of fiscal 1996. Earnings per versus \$1.84. Net revenue increased 10 per cent over the same period last year at cent. In early trading HP tors reduced net earnings per \$31.1bn against \$28.3bn.

KLM buys into Nordic carrier

By Gordon Cramb in Amsterdam and Greg Mctvor in Stockholm

yesterday agreed a the up with includes Northwest Airlines of such as Alitalia. Braathens Safe, a Norwegian the US and Air UK - a similar carrier that has been challeng- sized regional carrier where step in a rapid growth of com-Scandinavian Airlines System in the Nordic market.

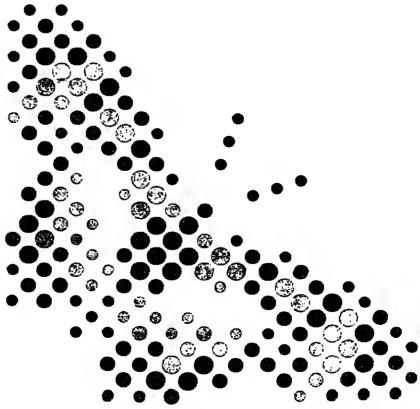
The Dutch airline is to pay which the shipping line of the intercontinental operators. same name has a majority holding. Braathens serves 14 people last year, will add less tional operations.

agreed to take full control.

to withstand competition from

domestic destinations and six than a percentage point to other countries. Amsterdam's KLM's European market Schiphol airport will be added share, which analysts believe to that list, giving it a feeder can be increased only by link-KLM, the Dutch airline, role into a KLM network that ing with a national flag carrier The deal marks the latest

ing the dominant position of the Dutch group last month petition on the Scandinavian market. In the past year, SAS, KLM has been seeking part- the market leader, which is 50 The tie-up extends KLM's ners to increase its share - per cent owned by the Swednetwork of international air about 8 per cent - of the ish, Norwegian and Danish Europe passenger market, and governments, has faced new competition on international F1200m (\$97.6m) for a stake of alliances such as the one SAS routes. At the same time, Braaabout 30 per cent in Braathens, has forged with Germany's thens - Norway's biggest an Oslo-quoted company in Lufthansa and three other domestic carrier with a 50 per cent, market share - has Braathens, which flew 5.4m striven to expand its interna-



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ASIA-PACIFIC NEWS DIGEST:

Growth slows at

Vietnam Airlines

Vietnam Airlines, the state-owned flag carrier, yesterday

blamed slowing foreign investment and tourism in Viet-

nam for sharply lower growth in passenger traffic in the

reported that the carrier's traffic grew 7 per cent to the

end of July, compared with more than 35 per cent annu-

ally since 1993. Lat year the airline carried 2.6m passengers, up from 2.2m in 1995 and 1.67m in 1994. The airline

was quoted as saving that this year's target of 3m was unattainable, even with the influx of visitors expected for

a summit of French-speaking nations which Hanoi is host-

The figures are a blow to the airline's plans for rapid expansion. Vietnam Airlines has recently been acquiring extra aircraft, mostly on a lease basis, in an attempt to

Vietnam Airlines is seen by bankers as one of the

communist-run country's best-managed state companies,

Keppel, PSA in joint development

The Port of Singapore Authority and Keppel, the Singapo-

rean conglomerate, will jointly develop sites totalling 52.3

The sites to be developed comprise 32 ha of prime water

front land – including Pulau Keppel, which belongs to

the Maritime Square, PSA and Keppel said. Maritime Square, which encompasses the World Trade Centre,

Cable Car Towers, Singapore Cruise Centre, Expo Halls

and carparks, will become a bub for maritime business

and leisure activities. Keppel has obtained outline plan-

ning approval to develop its site into a waterfront condominium with marina facilities and an office park.

When completed, Keppel's project will yield a total floor

area of about 435,000 square metres. Reuters, Singapore

Low-cost units lift C&P Homes

C&P Homes, the Philippines' largest home-builder, said

yesterday it lifted first-half profits 12 per cent year-on-

Manuel Villar, chairman, said that although certain

areas in the property market might have been damaged

by talk of oversupply - particularly in the high-end con-dominium market - there was continued growth in more

affordable housing, on which the group focuses. The num-

ber of units sold in the first half rose slightly, from 11.555

pesos yesterday as the Philippine Stock Exchange took

another tumble amid continued uncertainty over the

to 12,044. Sales increased 8 per cent to 5bn pesos.

Expenses rose 3.8 per cent to 624m pesos. Shares in the group closed down 50 centavos at 8.80

year to 1.53bn pesos (\$51m) as a result of strong demand

Keppel - and 20.3 ha of mixed-use development located at

Jeremy Grant. Hanoi

likely to be among the first to list on an eventual stock

Vietnam Investment Review, a semi-offical publication.

first seven months of this year.

expand its routes in south-east Asia.

ing in November.

■ SINGAPORE :

PHILIPPINES

for its low-cost units.

hectares in western Singapore.

COMPANIES AND FINANCE: ASIA-PACIFIC

Lacklustre debut for shares of KUB

Shares of KUB Malaysia, a Malaysian conglomerate with from its offer price of M\$1.80. It had impeccable political connections, hit a high of M\$3 during hectic rose on their debut on the Kuala trading. At M\$2.08 per share, the Lumpur Stock Exchange yesterday despite a 3.3 per cent decline in the (US\$373m). wider market which sent the main index to a 32-month low.

was lacklustre when set against ny's chairman, bad hoped for. the fact that tha share prices of many Malaysian companies rou-

cents, or 15.6 per cent, at M\$2.08 company was valued at M\$1.04bn

The closing price was significantly helow the M\$3.50 to M\$4 However, KUB's performance which Hassan Harun, the compa-KUB was formerly the main busi-

lacks a clear business focus. The many of these have been dormant profit.

Nasional coalition.

for years.

By James Kynge in Kuala Lumpur tinely climb several fold on listing. Malays National Organisation UMNO polltician, is expected to to fund acquisitions and find a KUB closed up 28 Malaysian (UMNO), the dominant political embark upon a thorough restruct- clearer focus for the conglomerate. party in Malaysia'a ruling Barisan uring programme. The main value in the company is a minority 30 per on its political contacts to help win It hoasts many senior politicians cent stake in Sime Bank, the it lucrative infrastructure and among its 124,000 members but nation's fifth largest.

company has scores of subsidiaries possibility that KUB may at some tion to be involved in the multimeplying trades as diverse as oil and stage sell the stake, which contrib- dia super corridor, Malaysia's most gas-processing to hanking, hut utes as much as 70 per cent of net amhitious infrastructure project

The proceeds from such a sale

KUB is expected to rely heavily other projects. Mr Hassan has sig-Mr Hassan did not rule out a nalled the company's determinawhich envisages building a "silicon valley" from a green-field site near

Mr Hassan, the company's chair- which some analysts estimate Kuala Lumpur. There are also ness co-operative under the United man and himself a former senior could total M\$1bn - could be used plans for a petrochemical venture.

The politics of business, Malay-style

A company's connections used to guarantee its success, but KUB may find this is changing

n a country where good political connections are Loften regarded as the secret of corporate success, a company which counts most members of the dominant political party as its shareholders might be considered assured of a bright future. It says much, therefore,

about the general sense of caution which is descending upon Malaysia that the listing yesterday of KUB Malaysia was a somewhat lacklustre affair.

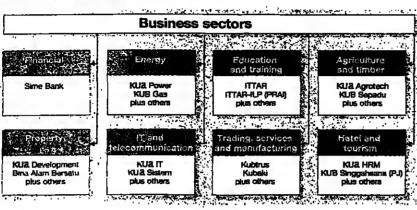
There can be few, if any, commercial organisations in the country with connecthose of KUB.

It was founded in 1977 as the only co-operative for the United Malays National Organisation (UMNO), the dominant party in the ruling Barisan Nasional coalition.

Dr Mabathir Mobamad, prime minister, and most of the cabinet number among its shareholders, KUB execu-

Other companies with a similar pedigree have been showered with government an asset. beneficence. Renong, the country's leading infrastructure company, bad little but friends in high places when it began a startling transformation in 1990,

Its contacts belped it win many plum contracts and it **Entering the charmed circle**



with 12 listed subsidiaries. KUB, executives say, was cent.

heing groomed for similar pre-eminence. But with many economists predicting that Malaysia's economy may slow abruptly late this debts year or in 1998, its involveseen more as a liability than

Such talk, however, does not deter Hassan Harun, KUB chairman and an ebullient force behind the company's recovery from insolvency in 1991.

nomic growth at above 8 per Hassan says of the scheme.

Mr Hassan calls the method "paper shuffling". The first move was to rid KUB of its considerable

Relying on the surging ment in the government's stock market, Mr Hassan large-scale infrastructure made an offer under which projects is beginning to be any co-operative shareholder who subscribed to buy more than 1.000 shares in KUB would get 2,000 shares free in Damansara Realty, a listed property company, to which the co-operative bad

"I never knew that Malaya KUB's path to listing bore had so much money. They many of the hallmarks of just walked into my office by is now one of the largest how several business have the hundreds. They put companies on the Kuala been turned round during down M\$10,000, M\$5,000, with Dr Mahathir's ambi-

Lumpur Stock Exchange, the past nine years of eco- They were queueing," Mr

7 ith the company's listing, he gains a chance to enter an inner circle of business with regular access to Dr Mahathir and other top politicians, such as Daim Zainuddin, the prime minister's economic adviser.

"I was first a politician," said Mr Hassan. "From 1991 until last year, I was a member of [UMNO's] supreme council, I was chosen by the prime minister as one of his appointed members of the

It is not surprising that Mr Hassan's business strategy dovetails almost seamlessly

tions for nation building. First, there is the multime- is not scheduled to start its dia super corridor, a vast construction phase until 2000 project that envisages the and Mr Hassan acknowlcreation of a Malaysian "Sili-

con Valley" near Kuala Lum-

Profit before taxation

from operations (RM 000's

Mr Hassan says that some of the proceeds of yesterday's listing will go toward the creation of a "virtual university" in the corridor, in which students learn through accessing materials through computers.

"The lectures will be digineed the answers you can just press a key," he says. He adds that KUB is likely some of the construction of find it one. Putrajaya. a M\$20bn (US\$7.2bn) administrative

Industry analysts say thet just a few months ago. involvement in such a proj-

capital taking shape within

the corridor south of Kuala

ect would have been seen as highly attractive by portfolio investors. But as the stock market has lost M\$160bn in value since the start of this year, people are now preoccupied by predictions of the difficulties of raising equity finance for infrastructure projects and a property glut

next year. Other plans include a petrochemicals venture in the north-eastern state of Kelanan, where Mr Hassan was born. But the M\$2bn project edges that there could be problems in acquiring land in a state controlled by PAS,

an Islamic opposition party. The only jewel in KUB's nation's fifth largeat, in which the company has a 30 per cent stake but no man-

agement say.
"It is difficult to see at this stage where KUB will find a tised and multimedia. If you Incrative, recession-proof business to boost its bottom line," says one analyst in Kuala Lumpur. "Let's hope to become involved with that the government will

James Kynge CONSTRUCTION

Fujita revamp drawn up Fujita, the Japanese construction company, said it had drawn up a restructuring plan covering the period to March 31 2000, and that Sakura Bank, its leading creditor bank, had said it would accept the plan, the company

Fujita said that other banks, including Tokai Bank, were also likely to accept the restructuring programme. 'Sakura Bank said it would accept our plan and Tokai said that it was considering accepting it. They will give us support so that we will not have difficulties raising funds for our operations," it said.

Under the restructuring, Fujita will attempt to cut its dehts by Y157.4bn to Y480bn (\$4.1bn) hy the end of March 2000, the company said. It will also cut its workforce by 560 to 4,900 through attrition, a freeze on recruitment and an early retirement programme. In addition, the group will try to improve profit margins in its construction pro-

Weaker yen helps Pioneer | Napocor warns on profits

By Gwen Robinson in Tokyo

A weaker yen and a restructuring belped Pioneer Electronic, the Japanese direct-broadcast satellita maker of audio equipment, report a jump in profits for the April June quarter.

Consolidated pre-tax profits nearly tripled to Y2.35bn and a slump in demand for (\$20m) in the period - the laser-disc products and comfirst quarter of Pioneer's mercial-use karaoke video business year - against a systems hit domestic sales, pre-tax profit of Y766m a which fell 11 per cent to year earlier. The improvement more

than offset the negative products enjoyed brisk impact of Japan's April 1 sales-tax increase.

Y85.9bn, helped by the yen's decline against the dollar and robust sales of digital decoders. which were launched on the European market during the quarter.

However, the tax increase Y43.8bn.

Although car electronics demand in overseas markets, particularly Europe, Asla The group's total sales and Latin America, domestic edged up 0.6 per cent to sales were weak. Sales of video and music software.

grew nearly 8 per cent to meanwhile, plunged more than 42 per cent. Analysts said Pioneer's

turnround from a weak first quarter last year was largely due to the company's restructuring and its recent slowdown in capital investment

After-tax profits rose 28 per cent to Y1hn. For the full year. Pioneer said it was confident of meeting its target of Y8bn-Y9bn in consolidated after-tax earnings. The company is cutting

back some mainstay lines. such as laser-disc products, and expects strong demand for DVD-related products, including laser-disc-compati-

は 10 mm で 10

By Justin Marozzi in Manila

National Power Corporation (Napocor), tha Philippines' largest state-owned utility which is awaiting privatisation, warned of a 40 per cent drop in net income to 3.35bn pesos (\$112.4m) this year.

would fall from last year's 5.54bn pesos because of a 30 per cent rise in the cost of servicing its debt. to 25.7bn

The company, which is due to be floated this year, is set to be dismantled into a single transmission company and seven generating companies, although the exact date of its privatisation depends

on the progress of legislation hour - compared with 23.67 in Congress. centavos last year - to take

Napocor said its total foreign debt was about \$5.3bn at the end of 1996 - although that has risen in peso terms following recent turbulence on foreign exchange markets. Yesterday, the peso hit The group said profits a record low against the US the company - which is dollar, hreaching 30 pesos to the dollar.

Napocor said that groups its assets. although net utility revenues were forecast to rise 26 per cent to 80.3bn pesos, operating expenses would also climb, by 36 per cent to

68.4bn pesos.

30.6 centavos per kilowatt-

into account the increased costs arising from fuel prices and foreign exchange adjust-Analysis sald investor appetite for Napocor's offer-

ing would depend on how being advised by N.M. Rothschild and Merrill Lynch -"If they put the profitable

and unprofitable ones together, there might be broad interest: otherwise you will see some assets purchased and others passed It said it would need to over," one analyst said. "The increase rates by an average problem is, it's all very sketchy at the moment.

surge By Graham Book new

Volks

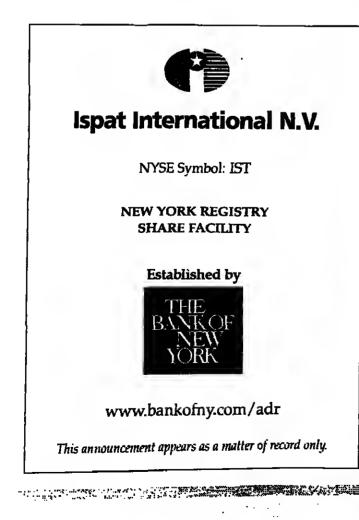
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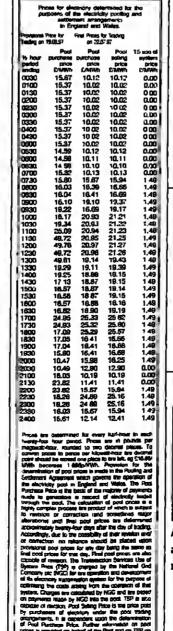
Anna Silva

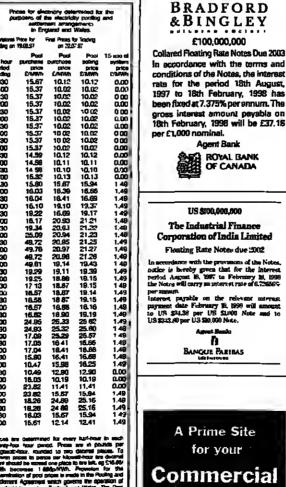
Justin Marozzi, Manila

jects from 8.9 per cent in 1996-97 to 10.1 per cent in

Fujita aims to post current profits of Y10.4bn at parent company level for 1999-2000 on sales of Y744bn. This compares with a profit last year of Ya.16hn on sales of









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Interim Report: Six months ended June 30, 1997

- High return on equity: 26%
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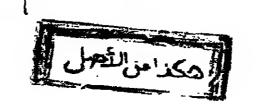
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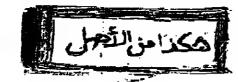
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COMPANIES AND FINANCE: EUROPE

Fresenius bolstered by acquisitions

By Sarah Althaus in Frankfurt

DAY AUGISTIC

slows a Airling

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un drawn op

Acquisitions helped Fresenius, the rapidly expanding German health products company, to a surge in first-half net profits which masked problems at its new medical dialy-

Net profits more than doubled from DM53m in the first six

increase to acquisitions, strong gains in its core business and the and particularly good pharmaceuti- casts".

inclusion of Fresenius Medical cals sales providing an extra impe-Group figures were at the upper end of expectations, although ana had anticipated." lysts were disappointed with FMC,

which registered net profits of \$1.51bn. "Group net profits were

Care, formed last year after it tus," said Wolfgang Sawazki, anabought National Medical Care, the lyst at WestLB Research. "FMC, on dialysis arm of W.R. Grace of the US, in a multi-billion dollar deal. the other hand, was a letdown: the integration is obviously not proceeding as smoothly as Fresenius

Christiane Nestroy, analyst at ing faster than the overall market," Vereinsbank Research, said she be said. \$54.6m, up 46 per cent from \$37.5m had expected interim net profits at last year on a pro forma basis, on FMC of \$80m and that the unit months of last year to DM116m sales of \$1.58bn, compared with would therefore "unlikely reach our full-year earnings per share Tha group attributed the slightly up on our fore-forecast of \$2.01, which was already acrease to acquisitions, strong casts... with the stronger dollar at the bottom end of market foreforecast of \$2.01, which was already

two quarters shows we are on the integration is obviously not pro-right track... as a result of our aggressive acquisition strategy, our dialysis services business is grow-

> At the pre-tax level, group profits more than trebled from DM98m to DM337m, on sales of DM3.50bn compared with DM1.35bn. Excluding acquisitions and FMC, sales were up 12 per cent.

"Our expansion in international

chairman, was more upbeat. concentration process taking place "FMC's performance in the first in the dialysis services sector will aecure our long-term growth." Mr Krick said.

He noted that only 13 per cent of total turnover in the first half came from Germany.

At group level, pharmaceutical sales rose 32 per cent to DM537m. bolstered by the group's entry into the Italian infusion solutions market with the acquisition of Sifra, an infusion and dialysis company. Investments climbed from

DM93m to DM267m.

Ernst Thomke, a well-known company doctor who was

brought in to turn around Bally in September 1995, says

He is known to want to speed up its recovery by float-

ing a minority of its shares on the stock market. However

plans to float Bally, which led to a well-publicised board-

room row culminating in Mr Thomke's threat to resign.

Oerlikon-Bührle said yesterday's meeting of the Bally

board had been purely a presentational affair and no deci-

he needs an extra SFr150m (\$100m) to revamp Bally.

at the end of July the group announced there were no

EUROPEAN NEWS DIGEST

Bally revamp

'needs funds'

The group, which publishes its half-year results next week, refused to say when it would disclose its new strategy for Bally. Howaver, it confirmed that Mr Thomke had not tendered his resignation. Observer, Page 11

■ BROADCASTING

sions had been taken.

Telefónica chief joins TV group

Spain's Antena 3 television station yesterday appointed José Mas Millet, Telefónica secretary-general, as its new chairman. He will be joined on the board by three other directors from the Spanish telecoms group.

The appointments mean Telefónica has in effect assumed control of the private television channel, in defiance of the European Commission.

The Commission warned the Spanish telecoms operator last week to get EU approval before going ahead with its purchase of Antena 3.

The acquisition had been challenged by CanalSatelite, a Spanish digital television platform backed by France's Canal Plus, in the latest round of the battle for control of Spain'a fledgling pay-TV market.

Telefónica argues its purchase of 25 per cent of Antena 3 is a domestic rather than European competition issue. The telecoms group said it had informed Spain's competition watchdog of its plans. Antena 3 sharebolders approved Telefónica's acquisition at an extraordinary meeting vesterday

TELECOM ITALIA

Indirect stake in 'yellow pages'

Telecom Italia has reached a deal with Banca Commerciale Italiana to take an indirect stake in Seat, the publishing business spun off by the former Stet telecoms

A group led by BCI announced last month it would pay L1,580bn for 61.7 per cent of Seat ordinary shares currently owned by the Italian Treasury. Telecom Italia, which is keen to take a stake in the pub-

lisher of Italy's "yellow pages" directory, has signed a deal with BCI to buy 20 per cent of the bolding company which has been especially created to purchase the Seat stock. The bolding, Otto, is backed by eight investors. including BCI, Telecom Italia, and US bank Citicorp. Otto will have share capital of L1,000bn, with Telecom Italia providing up to L200bn.

Telecom Italia, which is due to be privatised in October, will also provide other guarantees to allow the Seat acquisition to go ahead.

Comments and press releases about international companies coverage can be sent by e-mail to international compa-

A quiet revolution in Russian banking

Institutions are acting less like trading houses and more like recognisable financial intermediaries

ency for investors. We are

therefore trying to devalop

the bank as an independent

entity with an independent

strategy. Now the relation-

ship between the bank and

tha group is absolutely com-

especially outside Moscow.

The average bank has only

two branches. As of mid-

1996, 81 per cent of all loans

extended by Russian banks

were for less than one year.

Total banking assets at the end of 1995 amounted to just

\$132bn, or 34 per cent of

gross domestic product. In

the Czech Republic, for

example, the comparable fig-

SBS-Agro, which was

formed last year from the

merger of the Stolichny

Savings Bank and Agro-

prombank, the state agricul-

tural bank, believes its

future lies in retail banking.

At the moment this sector is

dominated by Sberbank, the

state savings bank, which

boasts 34,000 branches and

bolds 70 per cent of all retail

But Andrei Lykov, first

deputy chairman, argues the

vast, unwieldy Sberbank is

vulnerable to competition.

He says SBS-Agro oow has

1,400 branches covering 62 of

Russla's 89 regions, and

expects to win 10 per cent of

the retail deposit market by

the end of the year.

deposits.

ure was 155 per cent.

mercial," he says.

the country's banks. Thay collapsed, including some are accused of buying state large regional banks, such as assets on the cheap or mishandling bndget funds. manipulating government Local bankers expect a furofficials or corrupting the ther wave of failures and

But amid the noise and fury, a quiater and potentially far more significant industry consolidates.

But amid the noise and industry consolidates.

But a small group of powerful banks, including Onexrevolution, is undar way: wheeling banks are mutating into recognisable financial intermediaries. The longer term capital from international investors and domestic depositors, and pump it into the local

Sergei Aleksashenko, deputy chairman of the central bank, says the successful stabilisation of the economy signals the end of fast profits for Russia's banks; elther they most adapt or die. "Many Russian banks lived and live like financial trading companies, making money speculating on the currency and government debt markets. But profits from these markets have sharply fallen away," ba

"If banks do not find their place in the normal credit business, then they will have a very sad fate."

Already, Mr Aleksashenko's predictions are coming true. Like other post-communist transition economies, Russia is experiencing a

Carcely a day passes in banking crisis - albeit in Oneximbank, says the bank, a universal bank, we Tverunivarsalbank, which ranked as the 17th biggest. mergers as the sprawling

imbank, SBS-Agro, and Alfa some of Russia's 1,700 free- Bank, which have jointly raised \$650m from eurobond issues over the past few weeks with the aim of makgrowing trend is to raise ing long-term industrial loans, are pointing the way to the industry's future.

"The time has come when banks must begin in earnest to do what banks everywhere are ordained to do which is to lend money." wrote Tanya Azarcbs, an analyst at Standard & is both dangerous and eco-Poor's, the international nomically inefficient to be credit rating agency, in a over-reliant on e captive clirecent report on the sector.

Oneximbank, which has

for controverslally buying Svyazinvest telecommunicailsk Nickel metals group, is planning to invest long-term bank. capital in developing its related industrial assets. In effect, Oneximbank is emerging as the treasury for the associated Interros financial industrial group, wblcb controls 24 industrial companies with combined sales

of \$10bn.

Russia without a scan- slow-motion. Over the past bank's chief aims will be to need to have more transpardal erupting around two years, 450 banks have strengthen its capital base and broaden its branch network to service its diverse industrial assets. With access to capital from abroad, Oneximbank will be able to lengthen the maturity of its loans to up to three years.

hree years. At present, Russia appears
At the current stage of considerably underbanked -Russia's economic development, Mr Potanin argues it is far safer to lend money to enterprises which the bank controls. Poor legal and accounting standards make unsecured third-party loans a risky business. "We want to be sure that the money we invest will be properly managed," he says.

ut other banks are B purating different strategies, arguing it ent base. For example, Alfa Bank, founded to support recently attracted publicity the Alfa Group of compa-for controverslally buying nies, is busy disentangling government stakes in the itself from most of its related group businesses to tions company and the Nor- strengthen its credibility as an independent corporate

> Mikhail Fridman, head of Alfa Group, says that being a pocket bank of a big financial-industrial group leads to excessive concentration of assets and risks, and leaves enormous opportunities begging elsewbere. "We understand that to

Vladimir Potanin, head of develop as a nationwide



Mikhail Fridman, chairman of Alfa Bank Group

growing range of cousumer centrating on loans to the cards, savings accounts, and insurance services to attract retail depositors. "Our population may bave between \$20bn to \$40bn of money under their mattresses and if we can attract even part of that money, we will bave a very stable and independent funding base," he says. In contrast to Oneximbank

The bank is offering a and Alfa, SBS-Agro is con-

products, such as credit small to medium-sized business sector, where competition is less intense and the demand for efficient banking services is all the greater.

"One year in Russia is like 10 years abroad," Mr Lykov says. "The situation changes very fast. But it is clear that bankers should now specialise in banking."

John Thornhill

Volkswagen interims surge 73% on exports

By Graham Bowley in Frankfurt

Volkswagen shares rose strongly yesterday after the German carmaker reported a 73 per cent surge in net profits, to DM488m (\$27im), for the first half of 1997.

Buoyant foreign demand especially in Europe, lifted sales at the Volkswagen Group - which includes the VW, Audi, Skoda and Seat marques - by 12 per cent to

The results will reinforce investor confidence in the strategy being followed by Ferdinand Piech, chairman. VW reiterated its upbeat forecast for the wbola of 1997, predicting that earnwould rise for tha

fourth consecutive year.
In 1996, VW reported record group net profit of DM678m and sales of about DM100.1bn.

VW is the latest German carmaker to report a strong performance in the first half of this year - balped by demand outside Germany and the weakness of ths D-Mark against other currencies, especially the US dollar. BMW and Daimler-Benz both reported big rises in net profits in the first six months.

The figures were in line with analysts' expectations, but they helped the carmaker weather the general decline in German shares

yesterday. Volkswagen shares, which have been among the best performing stocks in the Dax index this year, rose DM30 to DM1,283, despite the sharply weaker German market down about 150 points. At DM37.2bn.



Ferdinand Piech: predicts earnings rise for fourth year

ing, the Dax index of German blue-chip shares had recovered to 4,080.55, up 2.96 Skoda - tha group's Czech

division - reported the strongest increase in deliveries of new cars, up 27.3 per cent to 161,886. Deliveries in the Audi luxury car division also rose

strongly, up 12.8 per cent to 276,073. Total deliveries rose 9.9 per cent to 2.2m cars. However, the carmaker reported difficultles in tha German market because of dapresaed consumer

German sales rose only 1.2 per cent to DM19.34bn. in contrast, foreign sales were which at one stage was 18.5 per cent higher at

Sales in the VW car divi-

slon increased to DM27bn, up 4.8 per cent. Net profit was 20 per cent higher at

Analysts said domestic demand for VW cars may bave been held back as potential buyers waited for the introduction of the new Golf model, expected at the Frankfurt motor show next month. Analysts have warned that the group could face substantial launch costs for the new model.

VW said delivaries to China of VW and Audi cars rose 25.2 per cent to 143,116. Investment in the first six months of 1997 rose 16.8 per cent to DM3.4bn, most of which went to the VW brand, Audi and VW's Mexiand Brazilian can

Julius **Baer posts 62%** rise halfway

By William Hall in Zurich

the Swiss private banks, reported a 62 per cent increase in first-balf net income after minorities to SFr107.5m (\$72m), belped hy a SFr50m jump in profits on securities trading as well as dealing in foreign exchange and precious metals.

The 63 per cent surge in trading income to SFr129m overshadowed a 45 per cent rise in the group's net fee and commission income to SFr216.1m.

The group, which specialises in managing funds for private clients, aims to reduce its dependence on volatile trading profits by building up its fund management business – a more stable source of revenues.

The group, which earned just SFr36m from trading in the first half of 1994, said 55 per cent of its trading income was client-related. Results from trading in securities rose 83 per cent, to SFr77m, and revenues from precious metal and foreign exchange trading grew by 41 per cent to SFr52m.

Baer is the last of the big Swiss private banks to report results. Its profits rise was better than the 48.4 SFr52.1m, reported by the Vontobel Group.

However, its performance was not as strong as Liech tenstein Global Trust's. where first-half net profits rose by 81 per cent to 8Fr113.6m. Baer's assets under management rose by 39 per cent to SFr78.3bn.

This announcement appears as a matter of record only.



The Oriental Republic of Uruguay

US\$ 300,000,000 71/8% BONDS DUE 2027

ISSUE PRICE 99.362%

Lead Manager **ING Barings**

Co-Managers

ABN Amro Chicago Corporation

Credit Suisse First Boston

Goldman, Sachs & Co.

Merrill Lynch & Co.

Salomon Brothers Inc

J.P. Morgan & Co. The Nikko Securities Co.

SBC Warburg A DIVISION OF SWISS BANK CORPORATION

ING BARINGS

July 1997

CB FUND INTERNATIONAL Société d'Investissement à Capital Variable 10A, Boulevard Royal, LUXEMBOURG R.C. Laxemboring B 21.603

NOTICE OF DIVIDEND PAYMENT The General Meeting of Shaneholders of CB FUND INTERNATIONAL has decided to pay a dividend of USD 1.05 per share for the financial year ending May 31, 1997 to each share held on August 18, 1997, the shares before more-

NOTICE OF CONVERSION PRICE ADJUSTMENT

To the Holders of CHUO BUSSAN CORPORATION JPY2,000,000,000 Nil Coupon Resettable Convertible Bonds due 2000

NOTICE IS HEREBY GIVEN that the current conversion price of Y810 per share has been reset pursuant to section 5.2 of the Terms Il Conditions of the Bonds, effective as of August 25, 1997 to IPY648

CHUO BUSSAN CORPORATION

Southern chief hits at UK utility tax

By Bruce Clark in Atlanta

Southern Company, the Atlanta-based energy concern, has no regrets about buying South Western Elecregional electricity and gas aupplier, but will keep its presence in the UK under review, according to A. W. Dablberg, the US group's president.

Southern, whose purchase of SWEB was the first of seven takeovers by US power companies of privabeen among the harshest

Texaco

merger

By Christopher Parkes in Los Angeles

Texaco is to increase its

Californian oil ontput by

almost one-third through a

\$1.4bn all-share merger with

Monterey Resources, the

state's leading independent

Yesterday's agreement

underscored Texaco's sharp-

ened focus on exploration

and production as it pre-

pares to pool much of its US

capacity with Shell Oil. It could also signal fur-

ther, similar deals in the

region where rapid popula-

tion growth is expected to

bolster demand - and prices

Monterey last month com-

pleted a \$106m acquisition

of McFarland Energy and

said it might bny more Cali-

fornian producers if crude

prices improved. There have

also been reports that Tex-

aco's Canadian subsidiary

might be preparing a bid for

Elan Energy, a beavy oil producer based in Alberta.

Monterey's stock price

jumped 35 per cent to more than \$20 following the news,

and by late morning was

within a few cents of the offer's valuation of \$21 of

Texaco shares for each Mon-

According to unofficial

pany will increase Texaco's

of proven reserves will also

provide a substantial boost

to its new owner's existing

booked resources in the

Most of its properties are

located close to Texaco's

boldings in the San Joaquin

valley, which could belp

reduce aggregate operating

costs which are typically

higher than those for lighter

Under the terms of the

merger, which is expected to

be completed within 90

days, Texaco will also

assume Monterey's debts of

grades of oil.

state of 480m barrels.

terey unit.

for locally-produced oil.

producer of heavy crude.

in \$1.4bn

Monterey

utilities.

tax bill, equivalent to \$160m, ate in a particular market. had wiped out two years of efficiency and customer service at the UK subsidiary.

spent about \$4bn on overseas acquisitions over the the last two years, remained think you have to be realis- form of an unusually large

ment's windfall profit tax on ics of every environment to the ntility tax. you're in. You make ongoing Mr Dahlberg said SWEB'a evaluations of bow you oper-

We went to England as a tricity (SWEB), the UK expected earnings and was long-term investor, that was "frankly disappointing" in our intention and it is our view of efforts to improve intention now." But he added that in any overseas Asked if his company, a constantly at the value all Southern's global interregional utility which has that's provided to our shareholders".

He strongly denied allegations in UK media that and utilities in Latin Amercommitted to the UK mar- Southern had taken large ica and the Caribbean, he tised UK energy groups, has ket, Mr Dahlberg said: "I sums out of SWEB, in the added.

critics of the Labour govern- tic and look at the econom- dividend, to avoid exposure bined with unusually cool

"We paid down some of the debt which we used to buy SWEB, and any dividends that went out were used to pay off that debt, not to come back bere," Mr Dahlberg said.

The need for continuous market, "you have to look scrutiny applied equally to ests, which include Consolidated Electric Power Asia, the Hong Kong-based group,

The UK windfall tax, com- joined the trend towards 31 cents a share.

convergence between the US weather in the south-east gas and electricity sectors by US, which depressed the use announcing a joint venture of air conditioning, meant with Vastar Resources, a that 1997 results won't be Houston company, which outstanding". However, Mr aims to be among the top US Dahlberg expected non-tradimarketers of gas and power. tional business to start Southern, one of the 20

boosting revenues from the most widely held US stocks, reported earnings last year of \$1.13bn - a 2.2 per cent New business included participation in the rapidly increase on 1995 - on revegrowing wholesale US nues of \$10.4bn, a 12.8 per energy market, and the cent increase on the previcompletion next year of a ous year. power generation plant in

But in the second quarter of this year, net income tum-This month Sontbern bled from \$287m to \$215m. or

AMERICAS NEWS DIGEST

Monsanto details chemicals spin-off

Monsanto, the St Louis-based chemicals, biotechnology and agricultural products group, will spin off its chemical interests as a separate stock exchange-listed company on September 1. . The group said that the new company, with annual sales of about \$3bn, would be known as Solutia. while the ongoing life sciences business - which will take in the group's biotech, herbicide and crop-related interests - would retain the Monsanto name.

Monsanto, whose total sales last year stood at just over \$9bn, added that it expected to announced a "new positioning" for the life sciences company this year, but gave no further details.

Separately, Monsanto said it had received notice that the Justice Department had completed its antitrust review of the proposed \$1.02bn purchase of Holden's Foundation Seeds and two related commanies. "Monsanto is proceeding to close the acquisitions," it said.

Nikki Tait, Chicago

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By John Gat 1 17

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■ CHEVRON

Plan to drill off Florida coast

Chevron USA, the oil company, has completed a controversial application to drill for natural gas in federal waters about 25 miles off the north-west coast of Florida, the US Minerals Management Service, an Interior Department agency which regulates oil and gas production in

federal waters of Gulf of Mexico, said on Monday. The plans, expected to spark protests from Florida environmental groups, must be approved by federal and state regulators in a process that could take up to two years. the agency said.

Chevron expects to drill between 12 and 21 wells and produce up to 450m cubic feet of natural gas a day from the prolific Destin Dome formation. The start date is

March 1999, said the MMS. The plans, if approved, would end a long-time morato-

rium on drilling off the coast of Florida. Reuters, Houston

■ PAGING

PageNet loses fourth executive

A shake-out at the top of Paging Network, the largest US paging company, continued yesterday with the resigna-tion of Kenneth Sanders, its chief financial officer.

Mr Sanders was the fourth key executive to leave a post at Paging Network in two weeks. The chairman, president and chief executive, and marketing chief all stepped aside on August 4, just before the company named John P Frazee, former president of Sprint, as president, chairman and chief executive.

Mr Frazee was building his own management team, analysts said. They differed over whether additional mangement changes were coming at the Dallas company, commonly called PageNet. However, they agreed that Mr Frazee's revamping of management would be positive for the company. AP-DJ, New York

■ EXPLORATION

Duke arm wins Peru licence

An affiliate of Duke Energy, the US energy group, and its partners have signed with Peru's state energy company to explore for natural gas in block 85 in the Ucayall Basin. The deal is part of Peru's ongoing sale of exploration

PanEnergy Exploration and Production (Peru), the Duke affiliate, will serve as operator under the licence

Other partners are Buenaventura Ingenieros, a Perusubsidiary of Mosbacher Energy, the US exploration and

■ ADVERTISING

Outdoor closes \$1bn acquisition

Outdoor Systems has completed its \$1bn purchase of National Advertising, the outdoor advertising operations of Minnesota Mining and Manufacturing (3M).

Outdoor Systems said it now operated about 220,000

deal, it sold certain markets acquired from 3M to Lamar Advertising for \$116m cash.

Separately, Outdoor Systems said it had filed an appli-Exchange, where it expected to begin trading in the first

Sprint supports Stones on tour By Alice Rawsthorn mainstream appeal - such as

Sprint, the US telecommunications company, has become the latest recruit to the fast growing business of rock sponsorship by back-ing the Rolling Stones' forthcoming Bridges to Babylon world tour.

It is understood that Sprint will pay several million dollars to be named as sponsor of the tour, which starts in Chicago on September 23 and moves to Europe next spring.

Sprint, whose chairman William Esrey staged a press conference yesterday with the four Rolling Stones beside Brooklyn Bridge in rafining and marketing Naw York, will also promote the tour by featuring it in its advertising.

The Stones' deal with Sprint comes as companies are stepping up their investment in rock sponsorship. Traditionally, the only acts able and willing to strike sponsorship deals

the Stones, whose 1994 Voodoo Lounge tour was backed by Volkswagen, the German carmaker.

Younger bands, such as U2 and R.E.M., eschewed sponsorship on the grounds that it might imperil their image. However, the high cost of touring has prompted some acts to reconsider their antipathy towards sponsor-

U2. which faces a \$60m bill for staging its current Pon-Mart tour, may accept sponsorship in future, according to Paul McGuinness, the band's manager.

Similarly, the broadening age base of the music market has made an association with rock and pop attractive to more companies. Britisb Telecommunications is discussing sponsor-

ship proposals with the

Spice Girla for next year,

after their present promotional deal with PensiCo



end of this year.

the Philippines.

includa issuing special Spice Stewart and kd lang, while the tour this summer by 911, Girls telephone cards.

Among brewers, Carlsberg sponsored last weekend's Elvis Presley tribute concert The BT deal is likely to in London, featuring Rod acna cream, is sponsoring concert,

Tennants backs the annual the teen idols, in a deal T In The Park festival in which includes leaving a Glasgow each summer.

free sample of spot cream Meanwhile, Clearasil, the on the seats at each

Toys R Us lifted by | Compaq, Sun target 'virtual pet' craze

By Richard Tomkins

The international craze for Tamagotchi electronic pets helped Toys R Us, the US toy retailing group, produce a big increase in sales and profits for the second quarter.

estimates, the acquisition of the Bakersfield-based com-Sales surged 15 per cent from to 180,000 barrels a day - or into the company's superstores, division. almost 20 per cent of the while net profits were \$36.7m, or 13 In Can ro - 7 conte hetter than Monterey's 385m barrels | the 11 cents a share predicted by analysts.

> In last year's second quarter, Toys R Us reported a net loss of \$7.5m after a charge relating to an arbitration award against the company. Excluding the charge, net earnings were \$27.1m.

> Michael Goldstein, chief executive, said: "There's a lot of excitement in our stores right now." Sales at US stores open a year or more rose 4 per cent in the second quarter on a strong performance a year earlier, when the company beld clearance sales, he said.

Mr Goldstein attributed the gains to the continued strength of the video game business, which has been boosted by the availability of Nintendo 64 products, as well as had almost completed the remodell-New challenges, Page 11 strong sales of action figures, plush ing of the first 56 stores.

toys and outdoor playsets. He said customer traffic had also been boosted by the craze for Tamagotchi "virtual pets" - egg-shaped electronic toys on a key-ring that owners care for by pushing buttons that feed them, stroke them and put

them to bed. Toys R Us also reported "outstanding" sales and improved operating daily Californian oil output | \$1.7bn to \$2bn as customers crowded results from its international

In Canada and the UK, stores that double-digit sales increases, while similar store gains were also reported in Australia, Spain, France

and Japan, the company said. The overseas sales increases were driven by new marketing programmes, the company said, as well as the continued strength of the video game business and the introduction of "virtual pets" outside

Japan. Toys R Us said It had recently suffered poor results from the US because of tough competition from the big discount store chains such as Wal-Mart Stores.

The company has been remodelling its stores to a "Concept 2000" format to counter its declining market share. It said yesterday that it

each other's markets

By Louise Kehoe In San Francisco

Sun Microsystems and Compag Computer are taking aim at each others' core markets with computer products launched this week. Sun aims to cast a new light on

the market for workgroup servers computers used to manage office networks of up to about 100 users currently dominated by Compaq. lenge Sun in the higher performance price" of Compaq's workgroup serv-

terday it launched "fault-tolerant" servers, featuring new technology that enables system administrators to replace system components without interrupting operation of the computer.

Compaq and other personal computer manufacturers have won the lion's share of the workgroup server market over the past few years by offering powerful, low-cost systems based on standard Intel microprocessors and Microsoft's Windows NT operating system.

Now Sun aims to claim its share of this fast-growing segment with aggressively priced systems based on its own combination of proprietary microprocessors and the Unix operating system. The new Sun systems would offer

greater reliability and functionality

than NT servers, said Ed Zander, senior vice-president.

"Our systems will be easier to use and better than NT servers. We are raising the bar for Compaq. We will sbow them they have to invest [more] in research and develop-

While Unix systems have typically sold for about twice the price of an NT server, Sun would price the new Meanwhile, Compaq is out to chal- systems at just under the "street However, Compaq dismissed Sun's

plans as "a desperation move". At the same time, it said its new "PCI Hot Plug" fault-tolerant technology would be licensed to manufacturers to establish it as an industry standard, said. The new technology would enable users to run business-critical appli-

cations on low-cost, industry-standard servers, said John Rose, senior vice-president. "Compaq is focused on extending

the power and reliability of standards-based platforms so that customers can use IT to gain business advantages," he added. Compaq's move toward "fault-

tolerant" systems coincides with its acquisition of Tandem Computers, a leader in high-performance fault-tolerant systems.

vatisation of its energy sector.

and production licences to private companies and the pri-

agreement, which gives the partners the right to explore for gas in 390,000 acres in the western area of the Ucayali Basin near San Alejandro.

Reuters, New York development company.

oster, bulletin, transit shelter, subway and mall displays in 96 of the top 100 US advertising markets and seven of the top 10 Canadian markets. The company also said that in conjunction with this

cation to list its common stock on the New York Stock week of September. Reuters, Phoenix



Société Anonyme Rue du Prince Albert 33 · B-1050 Brussels

SPLIT OF THE SHARES

The Special Meeting of Shareholders met on 5th June 1997 approved, among other things, a ten-for-one split of the Common Stock of the Company.

It had been announced that this stock split would take place on Ist September 1997. However, in order to comply with regulations adopted by the « Societé de la Bourse de Valeurs Mobilières de Bruxelles » (Brussels Securities Exchange Society), this operation will become effective on 28th Angust 1997, corresponding to the beginning of a fortnightly account settlement period. The exchange of old certificates will therefore take place from

28th August, in the proportion of ten new shares, cum-coupons N° 61 to 90 for one old share, cum-coupon N° 60. The old certificates will be accepted for exchange, free of costs to the holder, at the following institutions:

Générale de Banque S.A.

III Belgiillo	Centrate or render over
	Banque Bruxelles Lamber
	Krediethank N.V.
In Germany	Deutsche Bank AG
In France	Lazard Frères & Cie
In The ler	SPAFID
In Luxembourg	Banque Générale du Luxer
III LALLESTON OF THE STATE OF T	houzy S.A.
In the Netherlands	bourg S.A. ABN AMRO Bank N.V.
In Great Britain	I. Henry Schroder Wagg
III Olega branch	& Co. Ltd.
In Switzerland	Cradit Spiese
TE 2AMESÉLISTIG	CHEMIT SHOWS

From 28th August, only the new shares cum-dividends N° 61 to 90 will be quoted on the Brussels Securities Exchange (Continuous Forward Market, Quotation Group N° 70).

The Belgian Banking and Finance Commission authorised a total exemption from the obligation of publishing a prospectus for this operation.

The last annual report and the press release amouncing results for the first half of 1997 are available on request at the investor Relations department, Tel. (32)2 509 6016 Fax (32)2 509 7240 or via: http://www.solvay.com.

INTERMARKET MULTICURRENCY FUND SICAV Registered Office: 2, Boulevard Royal,

1.-2953 Lovemb R.C. LUXEMBOURG B-49187 hereby convened to the

ANNUAL GENERAL MEETING extraordinary on August 29, 1997 at 15.00 p.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the purpose of considering and voting upon the following agenda:

Submission of the Reports of the Board of Directors and of the Auditor; Approval of the Statement of Net Assets and of the Statement of Operations for the year ended as at March 31, 1997; Allocation of the net results;

Shareholders are advised that no quorum is required for the items of the agenda of the Annual General Meeting and that decisions will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting. In order to attend the meeting the owners of bearer shares have to deposit their shares five clear days before the meeting at the offices of Benque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

THE BOARD OF DIRECTORS

THE EMERGING MARKETS STRATEGIC FUND STCAV Registered Office: 69, route d'Esch L-1479 Luxembourg

R.C. LUXEMBOURG B-28252

rs are hereby convened to the ANNUAL GENERAL MEETING

of shareholders of our company, which will take place extraordinary on August 29, 1997 at 11 a.m. at the offices of Banque Internationale à Luxentbourg, 69, route d'Each, L-1470 Luxembourg, for the purpose of considering and voting

upon the following agenda;

1. Submission of the Reports of the Board of Directors and of the Auditor; Approval of the Statement of Net Assets and of the Statement of Operation for the year ended as at December 31, 1996;

Oischarge to the Directors; Statutory Appointments;

olders are advised that no quorum is required for the frome of the agenda. Statesbource are advocated and operating a required nor the months of the agencia of the Annual General Meeting and that decisions will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting. In order to altood the roccung the owners of bearer shares have to deposit their shares five clear days before the meeting at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, I.-1470 Luxembourg.

THE BOARD OF DIRECTORS



Bayerische Hypotheken-und Wechsel Bank Aktiengesellschaft US\$150,000,000 Subordinated Collared Floating Rate Notes 2003

Notice is hereby given that the notes will bear interest at 5.59375% per annum from 19 August 1997 to 19 February 1998. Interest payable on 19 February 1998 will amount to US\$142.95 per US\$5,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

Notice of Partial Redemption Receivables Securitisa (UK) No.3 plc £180,000,000 £14,600,000 Notice is hereby given that in accordance with the Conditions, the following Notes will be

red on 27th August, 1997.

Class A Notes: 3,005 Notes

(Value £ 30.050.000)

Mezzanine Nores: 243 Notes

lenkers Trust Principal Paris Company, London Agent and 19th August, 1997 Agent Bank

NATIONAL BANK OF CANADA USD 200,000,000 Floating Rate Notes due 2001

In accordance with the Terms and Conditions of the Notes. notice is hereby given that for the Interest Period from Auoust 19, 1997 to November 19, 1997 the Notes will carry an Interest Rate of 5.83828 % per snnum.

The Coupon Amount payable on the relevant Interest Payment Date, November 19, 1997 will be USD 149.20 per USD 10,000 principal amount of Note and USD 1.492.00 per USD 100,000 principal Krediethank Luxembourg

amount of Note.



SUN LIFE GLOBAL PORTFOLIO Société d'Investissement à Capital Variable tured office : 50, Avenue J.F. Kennedy, Luxemb

NOTICE OF SECOND ANNUAL GENERAL MEETING.

Shareholders are informed that the first Annual General Meeting of Shareholds are anothed that the mat Ahruba Caneral Wileland of Shareholds of Sun Life Global Pontfolio held on Shuly 1997 could not validly deliberate the proposel to pay dividends, three of the authorities not having been represented, namely GLOBAL BOND PORTFOLIO, DM BOND PORTFOLIO and UK GROWTH PORTFOLIO.

Notice is therefore hereby given that the adjourned Annual General Meeting will be held at the registered office of the Company, 50, Avenue J.F. Kennedy, Luxembourg on 28 August 1997 at 3.30 p.m. for the following To ratify the decisions of the board of directors to pay interior divideods for HAVEN PORTFOLIO, DISTRIBUTION PORTFOLIO, GLOBAL BOND PORTFOLIO, DM BOND PORTFOLIO and UK GROWEN PORTFOLIO

By Order of The Board of Directors Any resolution of a general meeting of stransholders deciding or dividends to be distributed to the shares of any class shall be subject to a prior affirmative vote of the majority of the shareholders of such class present or the same of the shareholders of such class present or the same of the

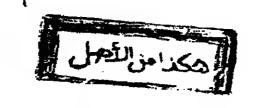
There is no minimum quorum necessary of shareholders present of represented at the adjourned meeting... Each whole share is entitled to one vote. A shareholder may act at any meeting. Prodes already sent in respect of the original meeting are valid. for the adjourned meeting, therefore any shereholder having streetly ***-

tted a vote by proxy does not need to submit another.



Fax: +44 0171 873 3064

mic beam (DK) Pic





COMPANIES AND FINANCE: UK

Argos sales pick up in second half

A VICTAL

Florida coas

fourth executive

ns foru licence

GEST

Argos, the high street retail chain, yesterday reported a 12 per cent drop in interim pre-tax profits, but said it had seen an unlift in second half sales due mainly to the impact of huilding society in 1995, higher costs and windfalls.

The group said that the 12 per cent sales growth seen in the first half had accelerated year-end. Like-for-like sales of 5 per cent had risen to 6 per cent in the first eight be sustainable."

14 June.

Mike Smith, chief execureflected a strong first half patchy consumer demand. Tha recent uplift pointed to a atrong aecond half, although ha warned that "the current buoyancy in consumer confidence and overall retail sales may not

of £627m in the 24 weeks to prices, which added £3m to the costs of producing its catalogues, higher promotive, said the fall in profits tion spending and the start-up of the group's Dutch

> In the second half, sales of "blg ticket" items such as brown goods, furniture and consumer alectronics had riaen sbarply. However, these product areas saw low or negative growth during the first half as consumers

operations.

windfall payments.

However, Mr Smith said that even in the areas which had experienced low growth, Argos had managed to improve its market share. He added that the com-

pany expected its gross margin to be dented in the second half reflecting the different mix of products in demand.

It also reflected tha company's determination to "set

Pre-tax profits of £28.1m period were largely because sions ahead of the election tion in the spring/summer between 700 and 800 stores (\$45.8m) were struck on sales of an increase in paper and before receiving their catalogue was 2 per cent, before the market is satu and this was expected to rise rated. to 3.5 per cent in the autumn/winter edition.

Argos increased its total during the first half. Ten of street stores, while there were five closures.

69. A further 18 stores will be added in the second half. The company believes it can £7-£8m in 1998.

weeks of the second half. Higher costs in the interim put off big purchasing deci- the price agenda. Price defla- build up a network of

The company said it had been encouraged by the success of its first three "First number of stores by 11 to 415 Stop" stores, a down-market electrical goods chain. It these were new format high planned to open more in the second half.

The Dutch operations were Six superstorea were on schedule to open in Febopened, taking the total to ruary. Five sites have been earmarked, with first half costs of some £5m, rising to

British Biotech chief receives 59% pay rise

By Daniel Green

took a 59 per cent pay increase for the year to April 30 1997, in spite of a fall in the share price of the UK's flagship biotechnology com-

the period. The annual report also regulators' decision. reveals that Pam Kirby, the commercial director who joined the company last Sepdrugs company Astra, was paid £197,000 (\$321,000) for 30. She was also awarded on leaving the company. 600,000 share options, although the exercise price of 202p means ahe would take a loss if they were exercised today.

in 1984 and has been loss- further £204,000 as "compenmaking since. In the year to sation for loss of office". April 1997 it msde a pre-tax loss of £28.5m. The company's stock market value -£1.2bn - is based on antici- 30 this year, earned £1.7m pated profits from drugs in from salary and the exercise development. Its shares fell of share options. In the pre-1p to 1821/sp yesterday.

British Biotech said that than £2m. the salary component of pay for directors had been set in mer research director who May last year and therefore retired in July 1996, made a related to performance the profit of £2.8m exercising previous year,

The performance-related

completed a £143m rights Keith McCullagb, chief issue, began a series of final executive of British Biotech, stage trials on its cancer drug, marimastat, and produced results from its final pancraatitis drug, which were good enough to submit pany from 288p to 242p over the drug to medical regulators. It is still awaiting the

Mr McCuliagh is the only executiva director surviving from the end of the previous tember from the Swediah financial year. Those that have left since have between them made profits of almost the seven months to April £9m exercising share options

Mr James Nohle, the finance director who resigned in February, made £2.3m profit on share options as well as being paid £160.000 The company was founded in salary and benefits, plus a

Dr Peter Lewis, the research and development director who retired on June vious year he earned more

Dr John Gordon, the forshare options.

Mr Ronald Irwin, the comconuses - £108,000 for Mr mercial director who retired McCullagh and £45,000 for on September 30 1996, made Ms Kirhy - were based on a profit of £2.2m on exercistargets set in May 1996. a profit of £2.2m on exercising his options.

Severfield-Reeve may sell food hygiene arm

By Sander Thoenes

Severfield-Reeve, - the more than double the steel subsidiary is made structural ateel producer, £450,000 loss for all of 1996. yesterday said it was consid-. ering selling or shutting losing money." Mr Severs down its troubled food hygiene subsidiary.

It made the announcement alongside first-half 1997 results showing a doubling of pre-tax profits from £1.8m to £3.89m (\$6.84m) on turnover up 88 per cent at £52.3m

John Severs, managing director, said the subsidiary had hurt exports. in question was Manabo. which makes cleaning and disinfecting machines for knives and chainmail gloves designed for meat-process-

Manabo, set up in 1995 in the company's first diversification from construction. line is being extended.

made an operating loss of £902,000 in the first half, over in the main atructural

"We ain't going to keep said. "It'a not the product, it's the industry. There's such a reluctance in the meat industry to change their ways in health and hygiene." The BSE scare had also left the UK meat processing industry without spare cash for such machinery and the strong pound

Group operating profit margins improved from 7.2 to 7.8 per cent. Mr Severs credited the company's new site at Dalton with cutting production costs and lifting productivity by 36 per cent. The plant's third production

About 27 per cent of turnabroad. Mr Severs said this should rise if the company won tenders for a number of power plant construction contracts. The shares, which have

risen 87 per cent in two years, lost 3p to 4911/2p yesterday. Earnings per share nearly doubled to 13.36p (6.92p), and

the interim dividend more than doubled to 3.75p (1.75p). The company had net cash balance of about £3m. ABN Amro Hoare Govett. the house broker, raised its

forecast pre-tax profits for the full year to £8m and £10.25m for 1998. Earnings per share of 27p-28p for this year give a forward p/e of about 18, falling to 14,



Steely gaze: John Severs said 'we ain't going to keep losing money

DLJ in talks to acquire **London Global for £100m**

Banking Editor

Donaldson - Lufkin investment bank that has rities, ... the .. securities an expected fall in the price lending company, for about of a company's shares.
£100m (\$163m). An institution wanting to

come just six months after: DLJ bought Phoenix Securities, the mergers and acquisitions advisory bou-

DLJ, which has built up a strong reputation in the US from specialising in mergers and acquisitions advice, high yield bond underwriting and

Cortecs

By Daniel Green

drug gets

US patent

would provide capital backing for London Global.

The target acts as a broker Jenrette, the specialist US between institutions that want to borrow or to lend been expanding its European shares. Stock lending is used acquire London Global Secu- wanting to take advantage of

The talks, which are over go short of a company's details of a deal, could lead ahares can borrow them to an announcement next from another institution to week. The purchase would sell It makes a profit on the deal if it can buy shares in the market at a lower price later on to give back to the lender.

Stock lending is becoming more important in London as UK institutions - which have been wary of selling practices. Stock lending has

private equity investment, been one of the main activitles used by custodians to raise profits.

Both DLJ and London Global declined to comment on the talks yesterday. However, the firms are thought activities, is in talks to by investment institutions to be in the final stages of negotiating a complex deal. London Global, which was

offices in both London and | months to July 31. Greenwich, Connecticut, has become the biggest indepenker. It acts as a market maker in securities to be borrowed or lent.

Owned by the investment fund Paloma Partners since its foundation, it was put up for sale earlier this year. It still lends shares to Paloma to cover abort positions shares sbort - adopt US held as part of its trad-

Cortecs, the Anglo-Australian biotechnology company, has been granted a US patent for its Flustat oral influenza vaccine. Cortecs also said it had received approval from the

Supreme Court of Western It claimed a wind-np would cost about \$16.8m Australia clearing the way for UK PLC status which it plans to have completed by oext month. The company's primary stock listing will then be in

London, with secondary listings on the Australian Stock Exchange and Nasdaq in the US. These are the latest in a series of steps forward for the company that have helped offset the damage to sentiment in the biotechnology sector hy a series of clinical trial failures this year. Last week, the company

said it had begun the final stage of clinical trials for Psendostat, a treatment for bronchitis, and boped the drug could be on the market

On June 30, the company reported progress with early trials of Flustat. RESULTS

About-turn at Brazilian Smaller

By Jean Eaglesham

In a complete turnround, the board of Brazilian Smaller Companies Investment Trust shareholders vote to continue the trust, rather than wind it up.

(£10.3m), soaking up about 15 per cent of net assets. This could more than offset the gain to investors from the eradication of the discount to net assets, currently 12 per cent.

The trust, which has a market value of £55m, admitted that most shareholders "would probably prefer, and could probably be satisfied by" a reconstruction. But it boped they will ha peranaded hy our arguments" before a meeting next month to decide the trust's future.

The fate of the trust, which is managed by Foreign & Colonial Emerging Markets, has been in question since January, when it appointed SBC Warburg to rumble advise on the hest way to from a improve shareholder value. faced".

The move was prompted by investor dissatisfaction with

the discount, which was then 18 per cent. It led to an announcement in May that recommended yesterday that shareholders would get a vote "which could lead to [the trust's] liquidation". But the independent direc-

tors recommended yesterday that the trust should continue in its present form, rather than being wound up or - as many shareholders wanted - changing its investment remit to focus on larger Brazilian companies Peter Burnell, a director of

Minorco and one of tha independent directors, claimed the estimated wind-up costs had not driven the recommendation. "Tha principal reason for

our recommendation is that kets, which matches Alliwe still believe in the prodnct we offered at the time of tha trust's launch. The of the froth getting blown investment story remains off the markets - it suits consistent." But he added that the wind-np cost. "undermines the pretext - ie the discount - on which the rumblings of discontent from ahareholders first sur-

Alliance Tst keeps pace with market

A successful new savings scheme to attract more private investors helped Alliance Trust to ensure that its share price kept pace with founded in 1990 and has its asset growth for the six Dynamit Nobel. Demand for the trust was

dent securities lending bro- investing windfall sbares ing societies in Alliance's tax-free personal equity Alliance, which is self-

managed, said it covered the costs of introducing a new Pep and new investment plan within six months. Private investors' assets covered by Alliance'a savings schemes were increased hy 30 per cent to more than £550m (\$896.5m).

Many of these assets are tnveated tn the Alliance trust. Nonetheless, the trust is still trading on a 14 per cent discount to net assets This compares with a 13 per cent average discount for the other hig, general trusts. Alliance, which has a mar-

ket capitalisation of £1.25hn, grew its assets broadly in line with the UK stockmarket during the six months to July 31. Net assets increased by 9.2 per cent to £1.48bn compared to a 9.9 per cent rise in the FTSE All-Share index.

The trust is "not too pessimistic" about the investment outlook, according to Alan Young, one of its managers. It should be belped by the slight weakening of sterling, since the strong pound has hit its overseas earn-

Mr Young is not concerned by last week'a fall in the US and UK stockmar ance'a own cantious outlook. "It is nice to see some our book very well" he says. Alltance will pay an interim dividend of 18.5p, up 8.8 per cent. It expects to recommend an increase in

the final dividend payable

next April.

Burmah continues chemicals revamp

By Roger Taylor

Burmah Castrol, the oil company, bas continued the reorganisation of its chemicals division by selling Columbia Cement, part of its adhesives business, and buying SMC Group, which makes coatings and res-

SMC was bought for DM68m (\$37.5m) from Chemetall, a subsidiary of

Burmah said the deal gave tt a leading posttion in the European market for binders and coatings used to make foundry mouldings.

It will be integrated with Burmah's foundry division and Jan-Roel van der Sluis, general manager of SMC, will become divisional chief

executive. Columbia, which last year had turnover of \$33m (£20m) sold to TACC International of the US for \$23m.

Last month Burmab announced that it would be reorganising its chemicals division, which with sales for about a fifth of group tial. turnover.

It intends to dispose of its adhesives businesses and focus the chemicals division on four areas: foundry, steelfrom selling sealants, adhe- mills, construction and sives and coatings, has been screen printing.

It said yesterday it planned to expand these divisions with further modest acquisitions and would sell off any businesses which failed to perform or which last year of £66m accounts had limited growth poten-

> After the sale of Columbia. Burmah is left with one other industrial adbesives business, with turnover of about £20m, which it aimed to sell in the near

This announcement appears as a matter of record only



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TRANSFERABLE TERM LOAN FACILITY

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Senior Managers **BfG Bank AG**

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> Commercial Bank of Greece S.A. **Kookmin Leasing Singapore Pte Ltd** Korea Leasing (Singapore) Pte Ltd Nova Ljubljanska banka d.d., Ljubljana Republic National Bank of New York

Agent LONDON FORFAITING ASIA LIMITED

August 1997

	Turasver (Em)		Pre-tack profit (Eas)		EPS (p)		Current payment (p)	Date of payment	Corresponding Phidend	Total for year	Total leet year
Argos 24 wks. to June 14	627.2	(561.3)	28.1 .	(31,8)	6.76	(7.06)	6.1	Nov 17	5.3		16
Baldena 6 mths to Apr 30	14,3	.(11.4)	2.81	(3.1L)	11.21,	(11.24.)	1.5	Oct 31	1.5	_	4
Crown Eyeglass & Yr to Mar 31	11.4	(10.5)	0.48	(0.929♥)	16	(38.9)	B	Oct 17	8	12.5	·12
Hampton Trest	30.7	(20)	6.49L	(9.89LA)	8.66L	(9.91L)	ndi .	•••	· mi.	幅	
Hydro-Dynamic & . 14% mins to May 31	6.05	()	0.838	(-)	9.9	(-)	2.4	Sept 25			0.88
JICX OE & Ges 6 mits to June 30	18.3	(4.32)	4.85	(0.9241)	1.291	(1.77L.)	4 7	adhr 50	-	3.6	-
Microvitec	20.9	(33.8)	0.424L	(1.61.)	. 0.1		الم	-		-	-
Severtield-Reeve 6 mths to June 30	52.3	(27.8.)	3.89			(1.4)	vd	• • • • • • • • • • • • • • • • • • • •	0.425	-	0.875
				(1.8)	13.36	(6.92)	3.75	Oct 28	1.75	-	5.25
Sherwood but! 6 mths to June 30	13,1	(11.8)	1.03	(0.71)	7.9	(5.6)	1.8	Oct 1	1.5	-	4.5
Shorco	6,71	(6.52)	0.375	Ø.412]	3.8	(4.4)	1.7	Oct 11	. 2	-	4.2
Taylor Nelson AGB 6 mths to June 30		. (42.4)	5.52	(4)	1.68	(1.23)	0.5	Dec 19	0.39	-	0.8
Torday & Carlista 6 mins to June 30	9.88	(10.7]	0.613	(0.574)	28†	(2.8)			-	-	-
Ultra Bectronics 6 mins to June 30	71.5	(57.8)	8.66	(7.43)	9.7	(7.3)	2.4	Oct 1	-	-	-
kivestment Trusts	Rati	v (p) '		outable gs (Eu)	EP:	S (p)	Current payment (p)	Date of payment	, Corresponding dividend	Total for year	Total lest
Affiance Trest 6 mins to July 31	2.935	(2,434)	16.9	(16)	33,49	(31.7)	18.5			100	year
G'tmore Enterprise		(269.2)	0.291	(0.23				Oct 3	. 17	•	55.5
willing complete the transfer of the second	314					(5.13)	0.75	Oct_17	3	5	4.25
Japane Spall 6 mins to June 30		(263.84)		(5.13)	5.26	(6.83)	3.62	<u> </u>	3.26	-	6.88
Earnings shown basic. Dividends shown in	et. Figure	es in braci	oets are fo	и сопезро	nding peri	od. Ģ Alm	stock. After	exceptiona	charge. VAfte	r exceptions	d credit. †

INTERNATIONAL CAPITAL MARKETS

Rate hopes underpin rise in Bunds EMTA finds

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

The view that German interest rates will not rise this week sent European bond markets higher yesterday and helped them to shrug off jitters over Wall

Street's fall on Friday. Thin bollday volumes helped exaggerate price movements, but the overall tone was better as the markets took the view that the Bundesbank would not raise rates for domestic reasons.

The more optimistic interest rate outlook underpinned a sharp rise in GERMAN BUNDS, with the September futures contract settling 32 basis points higher at 102.46. The prevsiling view last week was that the Bundesbank would signal a change in rates, perhaps by switching to a variable rate repo

rate rise would do serious Even if the bank did decide damage to the German econ- to act, it would be via the omy have changed senti- repo - switching to a vari-

"The balance of opinion is kinson, bond economist at markets, most observers

"It's a question of if rather has been a whole host of warnings from the Bundesbank and they bave quite clearly set out their views. The question is what they want to hang [a rate rise]

Most analysts expect the Bundesbank to make no

able rate from a fixed rate. Bunds also helped to pull definitely away from any other European markets expectation of a move by the higher. ITALIAN BTPs managed to reverse some of the sbarp losses suffered late Daiwa Europe. But no last week. The September change would offer only futures contract settled 87 "modest relief" for bood points higher at 135.52, while the spread over bunds stood at 105 points.

The market was given a than when" German rates boost by weekand comments will bave to rise, said Huw from Helmut Kohl, the Ger-Roberts, bond strategist at man chancellor, on Ger-NatWest Markets. "There many's commitment to a stable euro, and by the weaker US dollar. Italy is sensitive both to

minute changes in attitudes towards the single currency and to any rate increase in

Inflation data from the

revival against the US dollar and to take no action at week, with no change seen and the growing belief that a Thursday's council meeting. in the beadline figure of 1.6 due tomorrow. per cent for the month of

> August. It was a similar picture in SPANISH BONOS, with the September futures contract unchanged German interest rates will enable the Bank of Spain to cut its rates.

> UK GILTS again outperformed other European bonds, buoyed initially by a sharp drop in the public sector borrowing requirement following a surge in VAT receipts. The September offt contract settled a higher

scepticism that higher VAT receipts were a good thing. Many analysts said they were further evidence of a surge in consumer spending.

this week - one with a crucial bearing on determining

today. But the D.Mark's change to its reporate today emerging at the end of the the next move in interest the stock market is helping rates - is data on retail sales

> With the Bank of England having suggested that the current cycle of interest rate rises is over for the moment, gilts are particularly sensisettling 24 points higher at tive to each piece of data, 117.04. Investors are hoping said Mr Roberts, at NatWest Markets. That left the market vulnerable, especially at the short end.

US TREASURY prices moved higher in light morning trading. The benchmark 30-year bond rose & to 98%. sending the yield down to 6.520 per cent.

Prices of shorter-term the 10-year note increasing by i to 993, yielding 6.197 per cent, and the two-year However, there was some note up 1 to 100%, yielding 5.787 per cent.

Analysts said the main factors weighing on the mar-The real focus for UK gilts ket were the direction of US stocks and overseas markets.

"Lingering concern over

bonds," said Kevin Longan, senior market economist at Dresdner Kleinwort Benson

in New York. Friday's 247-point collapse in the Dow Jones Industrial Average was followed by

continued weakness in stock prices on Monday afternoon, "Caution is the watchword, and the front end of the curve is doing better." said Kevin Flanagan, money market economist at Dean Witter Securities.

Note issues ranging up to two and three years are benefiting from their status as a "safe haven" for Treasury issues also improved, with investors, be added. Investors are also awaiting a decision on the direction of German interest rates.

> The course of US interest rates appears to be of less concern to investors as the Federal Reserve maats today. "Everybody's expecting no change in policy. said Mr Flanagan.

By Edward Luce

The volume of trading in emerging market deht half of 1997, driven hy invesand a surge in emerging market eurobond issuance. According to a survey of 103 companies by the New ket Traders Association, vol-

umes in the first half surpassed the figure for 1995 as a whole, but were roughly in line with last year's annual figure of \$5,300bn in emerging market debt. Primary eurobond issu-

ance by emerging market the year".
borrowers totalled \$47.7bn in Brazil's the first half, according to EMTA and hit \$15.5bn in June, a record for a single month.

This lifted turnover in emerging market eurobond

Reporting first-half figures for the first time, the association said that turnover in the more traditional Brady reached \$3,000bn in the first hond market remained steadier at \$1,272bn, which tor demand for higher yields reflected a growing preference for uncollateralised debt instruments, including stable

eurobonds. The EMTA said turnover York based Emerging Mar- in all instruments fall slightly in the second quarter of 1997 to \$1.400bn from \$1,600bn in the first quarter. The association pointed out that first-quarter figures are usually "inflated by a surge of new money into the market at the beginning of

> Brazil's leading Brady bond, the C-bond, remained the most actively traded emerging market instrument in the second quarter, with turnover of \$155bn.

Russia overtook Venezuela trading to \$651bn, equivalent to become the fourth most actively traded country.

Perpetual FRN issue from Sakura Capital

INTERNATIONAL BONDS

Sakura Capital Funding, the Cayman Islands-based subsidiary of the leading Japanese bank, attracted the limelight yesterday in a generally listless trading session with a \$600m snbordinated

The perpetual floating rate note issue, which is callable after five years, was priced to yield 90 basis points over three-month Libor, This coupon would step up to 240 basis points over Libor if Sakura chose not to retire the FRNs in September 2002. Merrill Lynch, joint lead manager with Sakura

would he viewed by investors as equivalent to a fiveyear floater, while retaining the balance sheet benefits for Sakura of being booked as undated subordinated notes. The issue will be classified as upper tier two capital under the Basle capital adequacy ratios.

"Investors will take the view that Sakura is quite likely to call the bond after five years, but if it does not they are fully compensated with the step-up," it said.

This is Sakura's second floating rate note issue after a deal last March which was points over Libor. The notes have since tightened to a by the same borrower, was

Officials said yesterday's issue was backed by offshore US buying as well as the traditional UK-based and continental European subordinated bond investors.

Sakura, along with Fujl Bank, is one of the few Japanese banks to venture out of the private placement market to issue subordinated notes overseas in public

Elsewbere, the markets about the DM1bn issue by DEN NORSKE, the Norwegian bank. The three-year floater, which follows a five-

Italy

M BUND PUTURES OPTIONS (LIFFE) DM250,000 points of 100%

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(UFFE)* Lira 200m 100ths of 100%

New international bond issues ME US DOLLARS Sakura Capital Fundingists 600 100.00R Memil/Salora Finance FRENCH FRANCS OSL Finance 5.75 Cred Agricole/Deutschr SWISS FRANCE SBC Warburg MEW ZEALAND DOLLARS Ford Motor Credit Co 100 Bayerische Hypot 10bn

re-offer, said one rival official.

98.0

Another said that the all-in cost of Libor plus just priced to yield 95 basis year US dollar floater and a over six basis points was seven year DM500m floater also too tight for the market. "We reckon they would need

1.12

Est voi Open int.

48153 104388 258 5058

PUTS

priced very tightly at Libor a spread of more like eight punters," said one official in

> An official at UBS, sole lead manager, which had an unusually large syndicate of 21 banks co-leading the deal, agreed the bond was nificant margin on the deal.

London.

"aggressively" priced but were less than euphoric plus one basis point on basis points to bring in the said it had bean well received in Germany, Howevar, others specu lated that UBS was aiming

more for the bond league

tables, which are calculated

on volume, than for any sig-

investment grade Duff & Phelps, the US-based necks, slow progress on dis-

D&P rates India

By Edward Luce

credit rating agency, has investment of state assigned an investment enterprises and high income grade credit rating to tha inequality" held the agency Republic of India. Tha BBBrating, the agency's first rating, it said, assignment to India, is Duff & Phelps did not comequivalent to India's rating ment on the timing of the Investors Service, but is one notch higher than the BB+ rating from Standard & Poor's

Duff & Phalps praised India's "unblemished" debt despite the fact that Indian record and its recent financial liberalisation, including the gradual move to full rupee convertibility.

However, "high fiscal deficits, infrastructural bottleback from awarding a higher

of Baa3 awarded by Moody's rating, but confirmed it was unrelated to any sovereign bond issues.

India is one of the faw large emerging markets not to have issued a eurobond, corporates, including Reliance Industries and the Tata Group, have tapped the market this year.

e 11

ECHANGE CROSS

MEDON HONEY F.

457.12

WORLD BOND PRICES

	Coupan	Red Date	Price	Change Change	Yield	Week ega	Month
Australia	10,000	19/97	124,5844	-0.270	6.63	6.60	6.73
Austria	S.625	07/07	99.5000	+0.080	5.69	5.75	5.70
Belglum	6.250	03/07	103,7000	+0.080	5.73	5.78	5.62
Cenada *	7.250	08/07	109.4500	+0.210	S.96	8.07	5.87
Denmark	7.000	06/07	105,5000.	+0.260	6.25	8.28	6.11
France BTAN	4.750	03/02	100.0531	+0.080	4.73	4.75	4,43
CAT	5.500	10/07	99,6200	+0.230	5.55	5.56	5.39
Germany Bund	6.000	07/07	102,6700	+0.330	5,64	.5.70	5.55
Ireland	8,000	08/06	110,5700	+0.200	8.42	8.44	6,39
Italy	6.750	02/07	101,1700	-0.010	6.58t	6.56	6,39
Japan No 148	5.600	06/02	119.7562	-0.030	1,36	1.39	1.57
Na 182	3.000	09/05	106,7710	+0.030	2.09	210	2.30
Netherlands	5.750	02/07	101,2200	+0.320	5.58	5.64	5.47
Portugal	8.500	02/06	120.6800	+0.080	6.28	6.28	8.18
Spain	7.350	03/07	107,3300	+0.200	S.28	6.34	6.20
Sweden	8.000	08/07	109,7733	+0.070	6.63	6.57	8.42
UK Gitts	7,000	06/02	100-01	+4/32	6.29	7.04	7.19
	7.250	12/07	101-25	+12/32	7.00	7.10	7.08
	9.000	10/08	115-02	+14/32	7.03	7.13	7.11
US Treesury *	6.125	08/07	89-12	+15/32	6.21	6.38	6.25
	6.375	08/27	97-30	+19/32	6.53	6.88	6.57
ECU (Franch Gove	S.500	04/07	97.0300	-0.320	5.91	S.97	5.68
London closing, "New Yor † Gross finducing within					DS: LOCAL		stancian

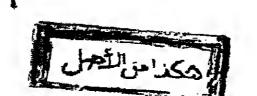
	Open	Sett price	Change	High	Low	Est. WIL	Open Int.
Sep	129.70	129.88	+0,34	129.90	129.42	50.346	160,805
Dec	98.68	98.86	+0.34	98.84	98.48	354	11,762
Mar	96.08	98.26	+0.34	98.08	98.08	2	-
E LONG	TERM FRI	ENCH BON	ID OPTIO	MS (MAT	îF)		
Strike		CAL	LS			PUTS ~	
Price	Sep	Oc	t D	lec	Sep	Oct	Dec
127	2,55			-	0.01		-
128	1.80	-		-	0.06		-
129	0.77	•		-	0.24	-	-
130	0.23	-		-	0.69	-	-
181	0.10			-	1.56	-	-
Est. val. 105	al. Calls 4,831	Puts 4,460	. Previous o	iny's open	int., Calls 883	226 Puts 12	2,404.
Germ	any						
- NOTE	HAL GERM	IAN DINE	Emile.	R I IEEE	- OM250 II	00 100eba	of 100%

Prices. US, UK at 32nds, others in decime Open Sett price Change Low Est voi. Open int. 117.04 +0.23 100.77 +0.21 UK MOTIONAL UK GILT FUTURES (LIFFE) \$50,000 \$2nds of 100% Open Sett price Change High

Prime rate . Broker kven Fed.funds Fed.funds a		74 51 ₂	Torse month Skriverski One year		5.26 Fee 5.35 10-yr 5.49 30-yr	200	5.95 6.06 6.22 6.54	Sep Dec	114-23 114-18 G GRLT FUT		+0-15		114-23 114-17 00 64ths of	44126 24 100%	158950 10021	Abbay Neil Treatury 8 ¹ 2 ABN Artro Bank 7 ¹ 4, 05 Artom Dev Bk 7 ¹ 8, 23 —
								Strike		C	ALS			PUTS -		Aborta Province 7% 99 Argentina 11% 17
								Price	Sep	Oct		Dec Se	•		Dec	Asian Des Bank 61, 05
								115	0-22	0-51		27 0-1		1-30	1-47	Austria 8½ 00 Backen-Wuartz L-Fin 8½
BONG	Elizza	DEC	AND C	DTION	•			116	0-04 0-01	0-26 0-14		63 1-0 42 1-6		2-05 2-50	2-19 2-62	Sarcomes: 74 04
_	FUTU	TES .	MND (PIION	3			Est. vol.	total, Calls 3	705 Puts 34	24. Previous	cysty, a obsu	Inc., Calls 5	0096 Puts	45982	Bank Ned Gemeenten 7 Bayer Vereinstik 5 ¹ s 00 .
Franc		KCH DA	ND Elect	DE9 646T	F) FFr500,0	00 (0 5		Ecu								Beiglum 512 05
- 4018		_							BOND FUT	URES IM	ATIF ECU1	00,000 (Au	g 143			British Columbia 7 4, 02 British Gas 0 21
Sep	Open 129.70	Sett pri	ice Chang 8 +0.3		Low 129.42	50.346	Open Int. 160,805		Open	Sett price		High	Low	Est voi	Open Int.	British 7 electro 6% 02
Dac	98.68	98.86				354	11,762	Sep	96.70	95.98	+0.18	95.84	96.58	185	5,915	Canada 6% 05
Mar	98.08 TERM FR	98.26		98.08	98.08	2	-									Chang hang Pin 5½ 98 China 6½ 04
	PENM PA		ALLS	IONS (MA	111-1	DI 1770		110								Credit Forces 812 99
Strike Price	Se		Oct -	Dec	Sep	PUTS ~	Dec	US	REASURY	ROND E	n mge av	m 6170 ~	YI \$270-to -	100=		East Japan Rathey 6% (
127	2.5	5		•	0.01	-	•	001							^ '	Se-Im Bank Japan 8 02
128 129	1.8 0.7		:	-	0.06	•	-	Sep	Open 113–25	Ladest 113–31	+0-11	High	Low 113-21	Est. vol. 507,952	Open int.	Fed Home Loan 71g 99
130	0.2		_		0.69	:		Dec	113-16	113-19		114-02 113-21	113-09	6,515	60,161	Federal Ned Mon 7.40 04
151	0.1	0	<u>.</u>	-	1.56		-	Mer	113-01	112-31		113-09	112-31	725	32.443	Firture 7% DA
Est. vol. još	at. Calls 4,83	Puts 4,	480 . Previo	as day's open	int., Calls 88	226 Puts 12	2,404.									Gereszi Miles 0 13
G	Tabana .							Japai				5				M Prenos 54 99
Germa	_	MAN DU	ND E	OPR A IE	a. owso.	VVI 1004-	ad 100m		ONAL LON E) Y100m 1			GOVT. E	IOND FUT	URES		Inter-Amer Dev 61s 05 Inter-Amer Dev 71s 05
- NOTIC		_				_		(Lat Pa	Open	Close	Change	High	Low	Est uni	Open int.	Inti Prents 54 19
Зер	Open 102.33	102.46	ce Chang +0.3	_	102.19	Est. vol 109296	Open Int. 206178	Sep	126.93	Ciclos	Change	126.99	128.90	1850	n/a	kely 6 03
Dac	101.40	101.61			101.40	3294	19312	Dec	126.15			126.23	126.1S	1175	r/a	Japan Dev Bk 8 2 01
								· UFFE N	Aures also tra	aded on AP	T. All Open i	nterest figs.	are for pre-	rous day.		Korea Elec Power 6% 05 Messushiza Elec 7% 02
UK G	ILTS F	RICE	S							A STATE	. *	4.				Medico 97, 07
																Alinfin Plustis 9 ² 4 01 Ontario 7 ³ a 03
		18.4		50				E-14	_						m/ v = -t	Ontario 7 % 03
	Notes	Int F	ed Price £		Low		Notice Life	Red Price S	- 52 + or - High	Lon		Hotes (Yaki	£ +0-	High Lour	Oster Kortrollarik 812 01
horte" (Live	d op to Fire Yo					9 ¹ 200 2004	8.37	7.05 1137	+4 114	109% Ind	ar-Listed	(0)				Cuebec Hydro 9 k 88
mas 6 kpc 1	997#	6.75	59 100 Å	10733 1104	10052 Trees	8 Lpc 2004#		7 01 9812	+1 994	943 4	wx 98#	1135.01	- 194 1	41 -	114] 113	SAS 10 99
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eda 151 ₂ 00 ' uzh 1200 199		11.35 7	.07 10533	- <u>-</u> 5 111€2	105岁 Comy	94pc 2006	- ¥ 6.27	7.09 11733	+3 1093 +3 1192 +3 10078 +3 1074 +3 1044 +3 1234 +4 1114	113	to 76	J095 31	8 3.52 10	1	1842 1773 1204 1154 1851 1854	Terressee Valley 6 1 05
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nding 31 ₂ pe	1990-4	4.04 8.5	99 86份	•å 07¿	St & Treas.	206	- /.W	- 3-7	-4 mp	20-7			ac 140		1-025 105-8	© The Francial Times Li

FTSE Actuaries Govt. Securities **VK Indices** -- Low coupon yield -- Medium coupon yield -- High coupon yield --Aug 18 Aug 15 Yr, ego Aug 18 Aug 15 Yr, ego Aug 18 Aug 15 Yr, ago Mon Day's Fri Aug 18 change % Aug 15 Price Indices UK Gitte 119,73 152,62 181,83 239,35 147,21 119.78 153.07 7.09 7.29 6.01 0.04 7.04 7.03 1 Up to 5 years (19) 8.68 5 yrs 0.29 0.47 0.57 8,09 7.09 5 All stocks (50) Aug 18 Aug 15 Yr. ago Aug 18 Aug 15 Yr. ag Up to 5 years (2) 7 Over 5 years (10) 200.52 FT Fixed Interest Indices Gilt Edged Activity Indices Aug 18 Aug 15 Aug 14 Aug 13 Aug 12 Yrago Hight Low Aug 15 Aug 14 Aug 13 Aug 12 Aug 11 96.96 96.73 98.85 96.57 98.73 93.41 97.88 98.31 126.02 125.54 125.65 125.75 126.39 113.76 126.68 115.32

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Righ Gas 0 21	1014	102	7	827	Inter Amer Des 41, 03 800	108	1084	41,	322	TONE DE OL DE ME	130	105	11114	4 73
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- 6L 04 1000	981	9812	42	6.96		1207	1221	1.	3.63	Credit Local 6 01 FFF	- 5000	-1044	100	
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Home Loan 71g 99 1500	1021-	1024	1	6.02	Belvin 5 00 75000	sent.	10912		0.07	Alabay Mail Treasury -14 99 .	_ 1000	00.95	100.01	6.760
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Prence 514 98 650	88	994	1	664	Table 34 0	108	1051		1.38	Commercials O/S Pin - 1s 98	750	98,85	29.91	5.007
-Amer Dev 61g 05 1000	pgl.	984	,1	6.52	Table 5 04 200000	110	1193		2.15	Credit Lyconels & CO	1260. :	100.13	100.19	8,275
r-Amer Dev 71/2 05 500	105	1055g	1	B.57	Jenes Day Bix 5 49	1084	1083		0.87	Credit Lycones & 00	_ 500 :	86.60	99.05	5.937
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/ 8 (13) 20(0)	99	903	41.	624	SNCF 6% 00 30000	1142		44	0.94	Finland - 19 99	_ 1000	98.90	100.03	5.583
57 23 3500	8712	97%	1	721	Spein 5% 02 125000	1185	118%	-	1.52	Hallax 85 0 89	500 :	100.06	100.12	6872
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tugel 51, 00 1000	874	277	418	5.29	Bell Carneda 10% 99 CS	110	110%	+10	4.99	Lough V M TW	. 2500	100.25	20.08	6.7500
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CURRENCIES AND MONEY

Stable stocks help dollar and pound

MARKETS REPORT By Simon Kuper

DAY GUILL

The dollar and pound rose yesterday as the US and UK stock markets ended last

Friday's 3.1 per cent slide in the Dow Jones Industrial index found no follow-up in London or New York yesterday. The dollar and pound also rose on hints that the Bundesbank would not increase interest rates.

Hans-Jürgen Krupp, Bund-esbank council member, said late yesterday that a German rate rise now "would be highly damaging for domestic economic reasons". The speed of the D-Mark's fall was worrying, but had not

His comments reduced fears that the Bundesbank might shift to a variable repo rate at today's securities repurchase tender. The German repo rate has been fixed at 3 per cent for just

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19-17-20

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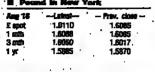
ME

one week. The bank has rency, 1.2 pfennigs above hinted at a move to a variable repo, which could push rates slightly higher.

Few in the market now expect either the Bundesbank or the Federal Reserve to raise rates today, when the Fed's two-day open mar-ket committee meeting ends. Robert Lynch, currency strategist at Paribas Capital Markets in New York, said the 4 per cent rebound in the D-Mark against the dollar in the last 12 days meant that the Bundesbank no longer had to raise rates to defend

In late trading yesterday the dollar was at DM1.8245 to the D-Mark, 0.65 pfennigs above its Friday London close. The pound was at DM2.9399 to the German cur-

its currency.



Friday's close. It was helped by high UK government debt repayment figures for July.

The dollar gained against the yen after Japan's trada surplus for July emerged in line with expectations - it rose nearly 70 per cent year on year. The surplus bas been growing because of the yen's fall of tha last two years. However, belief is fading that the US might try talking up the yen as a way of cutting the surplus. Jef-frey Lang, deputy US trade representative, failed to scare traders when he said Washington was concerned about the surplus' upward trend. The dollar closed Y0.6

■ The Asian currency crisis just will not end. Yesterday the Indonesian rupiah fell to a record low below 3,000 to the dollar, before recovering later to 2,970/80. The rupiab has now fallen 12 per cent since Indonesia abandoned

higher in London at Y117.7.



its fluctuation band last weak, and has lost more than a quarter of its value against the US currency since the start of the year. Overnight interest rates are near 100 per cent.

Yet few forex strategists believe the country's economic fundamentals are bad. "I cannot say there is a rationale for the slide," admitted Carlo Daurignac, currencies

DOLLAR SPOT FORWARD AGAINST THE DO

Indosuez in London. He said dollar have had to devalue yesterday's rupiah selling was chiefly by local banks and companies seeking to hedge against future falls in

the currency. The Hong Kong dollar, egged at HK\$7.80 to the US dollar since 1983, remained week, However, Joseph Yam. chief executive of the Hong Kong monetary authority, said he was winning the battle against speculators thanks to the rise in market

interest rates. He has promised to maintain the peg and to "burn" speculators with high rates. He warned local banks against funding forex speculators. All other Asian

Aug 16 E S
Czeck Rp 54.7699 - 54.8712 34.0060 - 34.6540
Hungary 316.496 - 316.733 195.20 - 195.570
Igan 4623.90 - 4631.50 3000.00 - 3000.00
Namatt 0.4902 - 0.4906 0.3044 - 0.3045
Poland 5.5965 - 5.073 3.4750 - 3.4800
Russia 9277.29 - 9284 31 5760.50 - 5762.00
UAE 5.9147 - 5.9183 3.5726 - 3.6730

The Philippine peso, one of tbose devalued, hit an all-time low yestarday, breaking through the psychologically crucial level of 30 to the dollar.

under pressure from last The Bank of Portugal cut interest rates again yesterday. Its fixed-rate repurchase pact, its drain rate and its emergency lending rate each fell by 20 basis points, to 5.5 per cent, 5.2 per cent and 7.2 per cent respectively. The escudo closed unchanged against the D-Mark.

> ■ Michael Petley, technical analyst at the ECU group in London, said the pound's recent slide against the D-Mark was over. The pound had beld above support for its upward trend at about DM2.8900. "Medium and long term technical support for the pound looks extremely good," he said.

	MONEY R	ATES		-			-	_	
	August 18	Over	One	Three	Six	One	Lomb,	Dis.	Repo
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The Financial Times plans to publish a Survey on

Taiwan

on Tuesday October 7

For more information, please contact:

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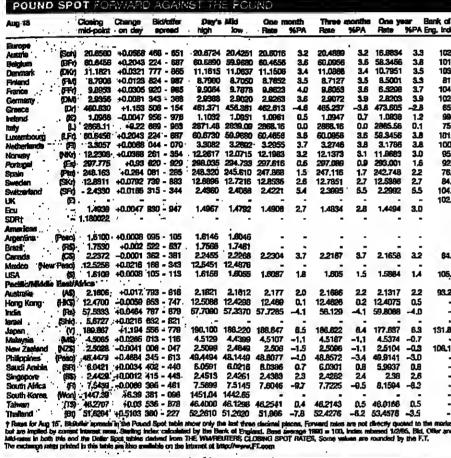
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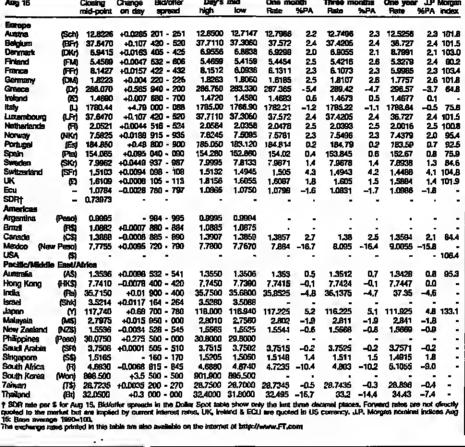
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WORLD INTEREST RATES





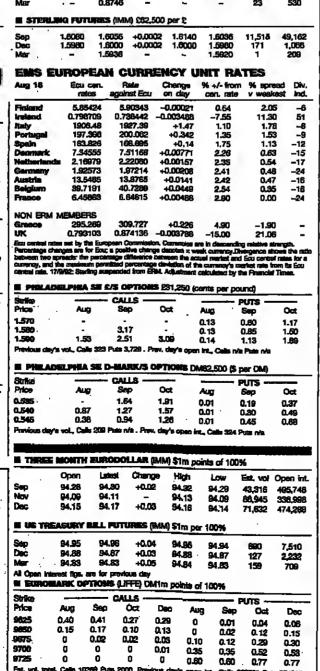
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Belgium	(BFr)	100	18.44	16.32	4.841	1,808	4729	5,451	20.17.	491.0	409.2	21.24	4,012	1,649	3.689	2,65	6 312.7	2,463
Denmark	(DKn	54.23	10	8.849	2.626	0.961			10.94	266.3	221.B	11.52	2.176	0.894	2.001	1.44	1 169.	1.336
France	(FFr)	61.29	11.30	10 .	2.987	1.108			12.36	300.9	250.8	13.02	2.459	1.011	2.261	1.62		
Germeny	OM	20.66	3.809	3.371	1	0.374			4.166	101.4	84.54	4.388	0.829	0.341	0.762	0.54	9 64.6	
Ireland	(30)	55.30	10.20	9.024	2.677	1	2616		11,15	271.5	226.3	11.75	2.216	0.812	2.040	1,48		
Italy	(L)	2.114	0.390	D.345	0.102	0.038		0.115	0.426	10.38	8.653	0.449	0.085	0.035	0.078	0.05		
Netherlands	Ä	18.35	3.363	2.993	0.888	0.332			3,700	90.08	78.08	3.897	0.736	0.303	0.677	0.48		
Norway	(NKA	49.56	8.143	6.090	2.400	0.897			10	243.5	202.9	10.53	1.989	0.618	1.628	1.31		
Portugal	(Es)	20.37	3.755	3.323	0.986	0.368			4.107	100	83.35	4.326	0.817	0.336	0.751	0.54		
Soain	(Pta)	24.44	4.508	3.987	1.183	0.442			4.928	120.0	100	5.180	0.980	0.403	0.901	0.64		
Sweden	(SKI)	47.08	8.681	7.682	2.279	0.851			9.495	231.2	192.7	10	1.889	0.776	1.737	1.25		
Switzerland	(SFr)	24.93	4.596	4.067	1.207	0.451			5.027	122.4	102.0	5.294	1	0.411	0.920	0.66		
UK		60.65	11.16	9.895	2.938	1.097			12.23	297.8	248.2	12.88	2.433	1	2.237	1.61		
	(2)	27.11	4.996	4,423	1.312	0.490			5.467	133.1	110.8	5.758	1.087	0.447	1	0.72		
Canada	(CE)				1.822	0.681			7,593	184.8	154.1	7,996	1.510	0.621	1,389		117.7	
USA	(5)	37.65	5.942	6.143										0.527		1		
Japan	(1)	31.97	5.896	5.217	1.548	0.578			8.449	157.0	130.9	8.791	1.283		1.160	0.84		0.788
Ecu		40.60	7.486	6.624	1,005	0.734	1920	2.213	. 8.166	198.3	166.1	8.623	1.629	0.669	1.498	1,07	B 127.	1
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	Open	Endrest.	Change	High e	h L	OW :	Est, vol	Open int.			Open	Latest	Chang	e Hig	n L	ON .	Est vol	Open Int
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Dec	0.5480	0.5523	+0.0000	3 0.554	10 0.5	490	742	4.258	Dec		1.8640	0.8622	-0.000	8 0.86	41 0.4	9616	258	2,399
	0.5558	0.5559	+0.000			5558	240	1,103	Mer		_	0.8746	-	_		_	23	530
E SWISS F	RANC	PUTURIES	(IMM)-SE	r 125,00	O per S	Fr			E 5	TERL.N	Q FUTU	RES (IM	M) £62,50	00 per £				
Sep	0.6687	· 0.6638	-0.0011	6 0.671	2 0.6	628	19,581	53,678	Sep	- 1	.6060	1,6056	+0.000	2 1.61	40 1.6	5036	11.518	49,162
	0.6730	0.8704	-0.0016			697	180	2,409	Dec		.5980	1.6000	+0.000			5980	171	1,068
Mar		0.6825				775	7	1,065	Mar		_	1.5936	-			5920	1	209

Sep Dec Mar	0.6687 0.6730 -	0.6638 0.8704 0.6825	-0.0016 -0.0016	0.6712 0.6730	0.6628 0.6697 0.6775	19,581 180 7	53,678 2,409 1,065
UK	INTERE	ST RA	res				
LONI	ON MO	NEY R	ATES				
Aug 18		Over-	7 days notice	One month	Three -	Stx	One.
Starting Treasury	Bills	74 - 64	72 - 71	7년 - 6년 6월 - 8년		726 - 718	74 - 74
Bank Bil Local au Discount	is thority deps. Market deps	63 - 64 64 - 64	6% - 6% 6% - 6%	7 de 73 - 73	7살 - 6월 7살 - 7살	74 - 74	73: - 73:
UK clear	ing benk bas	e tending n	ste 7 per d	ent from A	lug 7, 1997	7	
			Up to 1 month	1-S month	3-6 months	6-9 months	9-12 months
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up day J. Rioterence Bess Rist El THIRL Sep	Open Open Open Open 92.77	Jul 1, 1997 1, 1997 STERLIN Sett price 92,76	Change	1997, Scher LIS (LIFFE High 92.78	2500,000 Low 92,75	points of Est. vol 10323	100% Open in 108816

Strike		- CALLS -			- PUTS -	
Price	Sep	Dec	Mar	Sep	Dec	Meur
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9300	0	0.02	0.04	0.24	0.39	0.45
9825	0	0	0.01	0.49	0.62	. 0.87
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	BA	SE LENDING	RA	TES	
	%		• %.		%
dam & Company	7.00	Duncan Lawrie	7.00	Scotlish Widous Barto	7.00
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Henry Ansbecher	7.00	Financial & Gen Bank	7.50	CSmith & William Secs	7.00
ank of Barada	7.00	@Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
anco Bilbao Viscava.	•••	Guinness Mahon	7.00		7.00
•		Habita Bank AG Zurich	7.00	United Bank of Kuwak	7.00
ank of Cyprus	7.00	OHembros Bank	7.00	Unity Trust Bank Pic	7.00
ank of Ireland	7.00	Heritable & Gen Inv Bi	7.00	Wastern Trust	8.50
ank of India	7.00	C. Hoers & Co	7.00		7.00
ant of Scotland	7.00	Hongkong & Shenghai		Yorkshira Bank	7.00
arciaya Barik	7.00	Investor Bank (UK) Lis			
nit Sk of Mid East	7.00		7.00	Members of Londor	
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he Co-operative Ban		NetWestminster	7.00		
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Cyprus Popular Sank 7.00 Royal Blk of Scotland 7.00



Est, vol. total, Cale 10259 Pus 2000. Provious day's open Int., Cale 360591 E EURO SWISS FRANC OPTIONS (LIFFE) SF: 177 points of 100%

Eat. vol. total, Colin D Purs D. Previous day's open inc., Colis 4557 Puts 3855

0.06 0.07 0.10 0.14 0.40 0.01 0.08 0.05 0.34 0.61

Strike Price





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70891 Puts 271215

Restarts seen at aluminium smelters Photography

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

The squeeze in the London Metal Exchange's aluminium market is shut down for five years, says Ted Arnold, analyst at Merrill Lynch. The industry bas about 800,000 tonnes of annual capacity, or roughly 4 per cent of the global total, waiting to be reactivated

Writing in Merrill's latest Com-

producers to lock in prices of \$1,640 to \$1,650 a tonne for 1998 and encouraging producers to restart 1999. We expect to see some big smelting capacity that has been capacity restarts in early 1998 as a result." The premium for aluminium for immediate delivery on the LME.

> month metal, increased yesterday to \$70 a tonne, up from \$33 on

> compared with the price of three-

with the rally, has allowed some risen by 6,650 tonnes to 638,500

In contrast the squeeze in the copper market has weakened considerably and the premium for trading on London's International immediate delivery has been eliminated. The price of copper for immediate delivery fell by nearly 4 ing end of the summer holiday seaper cent yesterday to \$2,160 a tonne while three-month copper was at start-up of an east coast refinery \$2,163 a tonne. In the last two trad- that had been out of action, helped Traders suggested the squeeze fallen by 6 per cent.

modity Market Trends publication, might attract 30,000 to 40,000 Crude oil prices fell yesterday as supply concerns may keep the marmuch larger turnover associated said yesterday that stocks had oline supplies in the US - began to crude oil under the resumed oil-for-

> The price of Brent Blend for October delivery was down about Gulf port of Mina al-Bakr was 20 cents to \$18.79 a barrel in late being readied yesterday to supple-Petroleum Exchange.

A combination of the approach-However, many traders believe sharply, the newsletter said.

Mr Arnold suggests: "The squeeze tonnes of aluminium to LME ware- one of the market's main props in ket from falling steeply in spite of and price strength, and the very houses this week. The exchange recent weeks - concerns about gas- the increasing supply of Iraqi food programme.

The first shipment from Iraq's ment exports from Turkey's Mediterranean terminal at Ceyhan.

Meanwhile, the Middle East Economic Survey yesterday estimated son in the US and news of the that Opec output in July was up only 60,000 barrels a day, to 26.4m b/d. But the resumed fraqi exports ing days cash copper prices have take the steam out of the markets. could push the August figure up

210 metres deep and this will

take another 30 years to

mine. At 210 metres, the ore

body splits into two and Deb-

swana estimates there is

enough at deeper levels to

keep an underground mine

occupied for 25 years. Mr Porter says: "Orapa is a

young mine with a long life

There is also the possibil-

ity that the mine might be expanded again, should mar-

The idea of a gem diamond

shortage is gaining credibil-

Ity. James Picton, of Stan-

dard Equities, the Johannes-

burg stockbroker, suggested

at the Pinancial Times Dia-

mond Conference last Octo-

ber that shortages might

develop by 2000 necause

stocks in Russia, one of the

world's big producers, might

Julian Ogilvie Thompson

De Beers' chairman, said

this year the group has con-

tingency plans in case of a

shortage after 2000, even

though new production will

be building up in Canada's

Northwest Territories, as

Mr Ogilvie Thompson said:

We have been looking at

where we could increase pro-

duction if necessary. We are

doing some medium-term

well as in Botswana.

run out in 1998.

ket conditions require it.

boosts silver

By Kenneth Gooding. Mining Correspondent

Happy snappers in China and Russia are helping to boost photographic demand for allver, according to a mid-year industry outlook produced for the Washington based Silver Institute.

It suggests strong growth in amateur photography will push photographic demand for silver this year to 233m troy ounces, 3 per cent ahead of last year's level. In 1996 photographic demand for silver rose by a modest 1.4 per cent to 226m ounces.

Peter Krause, the consultant who completed the survey for the institute, said amateur photography was growing fast in China and Russia as domestic processing arrangements improved.

Film usage would grow at 11 per cent this year in both countries, and China's silver used in X-ray film had growth could continue at an been cut by half.

Photography is one of the "three pillars of demand" on

annual 5-10 per cent for five

to 10 years. which silver consumption depends. The others are jewellery and silverware, and industrial and decorative. Each accounts for about 200m ounces of annual

Mr Krause pointed out that the net amount of new silver needed by the photographic industry was not increasing at the pace of total demand, because the industry was recycling much more of the metal.

He said his last estimate of silver reclaimed from photographic scrap worldwide, made in 1995, was 153m

In addition, the industry was using as little metal as possible. For example, in the past 15 years the amount of

IPE natural gas futures catch on

By Robert Corzine

The new natural gas futures. contract on London's Inter-Petroleum Exchange is continuing to attract growing interest;

according to IPE officials. The number of contracts yet to expire has reached a record 6,210 lots. That represents 190m therms, or more than twice the daily level of UK gas production. Trading volumes so far this month have averaged 380 lots, well

up on July's 220 lots a day. IPE officials say they have ecently added safeguards to the screen-based system to prevent the human error which has led to several disputed trades. They have also

to know the identity of their opposite number when a trade was completed. IPE officials said traders had

asked for greater anonymity. The exchange is also working on supplementing the present monthly contract with a quarterly option. This: would allow users of the over-the-counter gas market. which deals in quarterly contracts, to use the IPE contract as a hedge.

The IPE is hoping the expansion of competition into the domestic gas market will attract even greater use of the contract. About 20 ers, and although most are involved in the physical gas market, exchange officials Kenneth Gooding removed a feature which say there is some demand allowed users of the system from speculative investors.

71.....

RENHSEY

Salahan Salah

Botswana diamond expansion on fast track

beginning of the next century, as some believe it will. Botswana will be one of the main beneficiaries.

Diamonds already account for three-quarters of Botswana's export earnings, onethird of its gross domestic product and 50 per cent of government revenues. All this is generated by Debswana, a company jointly owned by the government and De Beers of South

biggest rough (or uncut) diabecome even bigger. It is investing 1.4bn pula (US\$410m) to expand its Orapa mine, the biggest capital project ever seen in

A feasibility study for the expansion was completed as long ago as 1994, but the scheme was put on hold because of weakness in the diamond market. The go-ahead was eventually given last year and, in order to make up for lost time, the project has been put on a 'fast track"

Approval for the project coincided with the signing of another five-year marketing contract between Debswana and De Beers' UK-based Central Selling Organisation. which dominates world ously since it came into pro-

COMMODFILES PRICES

BASE METALS

f a shortage of gem dia- trade in rough diamonds. monds develops at the The government also extended Debswana's mining lease until 2017.

Debswana hopes the Orapa expansion will double the mine's annual output to 12m carats (one carat is one-fifth of one gramme) as early as January 2000. This would take Deb-

swana's total annual production to at least 24m carats. The company has been continuously lifting output for about 30 years. Last year production increased by 4.5 Debswana is the world's per cent to 17.7m carats worth about US\$1.3bn and mond producer in value Debswana expects another terms but it intends to rise this year to 18.5m carats.

Extra output this year will result from a switch from six to seven days a week working. This was at first resisted by the unions but now. according to Derrick Moore, general manager of the Jwaneng mine: "Employees love it. It gives them more money and more time off."

Jwaneng, for the time being the biggest mine in the group, is widely believed to be the ricbest diamond mine in the world. Its output was expanded by one third by a 300m pula (worth \$120m at the time) project completed

Mr Moore says: "Jwaneng's output has been increasing almost continu-

Precious Metals continued

PLATINUM NYMEX (50 Troy oz.: S/troy oz.)

PALLADIUM NYMEX (100 Tray az.; \$/tray az.)

SILVER COMEX (5,000 Troy az.: Conta/troy az.)

203.50 -1.80 205.00 200.20 1.278 2,934 200.00 -0.30 201.00 196.50 851 1,745 196.50 +2.20 196.50 193.50 - 136

> -58 457.0 447.0 20.110 48.213 -5.0 465.0 453.5 3,687 23,145 -5.6 460.0 460.0 - 20 -5.8 467.0 460.0 22 10,651

403.4 -10.0 410.0 410.0

196 00 +3.20

Sett Day's Open price change High four Yel but

-4.6 325.5 321.0 282 552 -4.6 1 2

5 6,342 35,790 205,688

■ GOLD COMEX (100 Troy oz.; Stroy oz.)



Detrick Moore, general manager of Jwaneng, considered the world's richest diamond mine

time to consolidate." He says Jwaneng will instead concentrate on cutting costs by 10 per cent in the five

Seven-day working will help a great deal. It will give Jwaneng a 14 per cent increase in carats produced this year - from 11m in 1996 and boost productivity as the mine and plant will shut down for only 13 days a year for maintenance.

Orapa, which began pro-

duction [in 1982]. Now is a duction in 1971, last year produced 5.4m carats. Once the expansion is finished. production costs will fall rapidly because output will be doubled with only 200 more employees, compared with the present 2,560 and only a 20 per cent rise in overheads.

A new treatment plant southern Africa. capable of handling 17.8m included in the project, some 17 stories high and destined he says. to be the tallest building in

SOFTS

Botswana.

Dave Porter, head of the so-called "Orapa 2000" project team, admits that completing the expansion hy January 2000 is a tough target. If problems occur, they will probably be associated with the availability of construction capacity in

"I feel it might be reaching tonnes of ore a year will be its limits as there are other big projects in the pipeline," Orapa's ore goes at least

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) ALUMINIUM, 98.7 PURITY (5 per tonne) 1703-9

292,697

153.553

ALUMINIUM AL		
Close Previous	1475-85 1485-90	1502-7
	1400-90	1515-20
High/low AM Official	1470-75	1505/1495
	14/0-/5	1495-5.5
Kerb close	E 405	1500-10
Open int.	5,496	
Total daily tumover LEAD (5 per ton	1,891 (en	
Close	596.5-7.5	610-11
Previous	605-06	816-17
High/low	003-00	813/605
AM Official	597-7.5	611-2
Kerb close	331-1.3	609-10
Open int	36,088	000-10
7otal daily turnover	11.983	
NICKEL (\$ per to		
Close	6580-85	8685-90
Previous	6565-70	6660-70
High/low	5640	6710/6580
AM Official	6555-60	6680-85
Kerb close		6670-75
Open int.	55.227	
Total daily turnover	16,818	
TIN (\$ per tonne		
Close	5325-30	5378-80
Previous	5365-75	5410-20
High/low		5400/5360
AM Official	5310-15	5355-60
Kerb close		5370-75
Open int.	15,800	
Total daily turnover	3,471	
ZINC, special h	igh grade (S (
Close	1630-33	1481-3
Previous	1681-84	1526-28
High/low	1675/1670	1513/1480
AM Official	1673-4	1511-2
Kerb close	00.004	1492-3
Open int.	92,091 32,671	
Total daily turnover ■ COPPER, grade		-
Close	2158-60 2246-48	2152-3 2248-60
Previous	2170/2166	2178/2153
High/low	2169-70	2178/2158
AM Official	2100-70	2114-3

Sport 1,6093 3 miles: 1,6038 6 miles: 1,5960 9 miles: 1,5927 ■ HIGH GRADE COPPER (COMEX) 96.50 -2.90 99.30 96.50 295 1,865 96.50 -3.10 99.30 96.90 96.00 -2.95 99.00 97.80 96.80 -2.80 99.40 96.65 4,159 10,144

140.931

III LME AM Official E/S rate: 1.5070

LIME Closing E/S rate: 1.6105

Kerb clase

Open int.

I LONDON BULLION MARKET 322 60-323 10 326.05 202.302 489.238 322.60 200.597 487.836

326.50-326.80 322.50-322.80 Previous close 324,30-324 80 Luce Ldn Mean Gold Lending Rates (Vs USS) . .3.14 3 months Silver Fix 452.50 457.25 462.45 281,60 285,60 6 months 1 year 473.15 298,55

S price 319-321

Gold Coins

£ aquiv. 198-200

CRUDE OIL NYMEX (1,000 barrels, \$/barrel) 20.11 -0.15 20.17 19.92 36.867 95.564 20.15 -0.16 20.26 20.05 12.887 42.371 20.27 -0.09 20.29 20.10 8.161 50.440 20.20 -0.16 20.25 20.15 888 31,000 20.22 -0.14 20.25 20.22 318 14.812 CRUDE O'L IPE (S/barrel) 18.84 -0.15 18.88 18.71 9.187 88.706 18.97 -0.15 19.00 18.85 2.081 18.842 19.08 -0.13 19.11 19.01 741 19.876 19.06 -0.17 19.09 19.06 722 15.708 19.00 207 6.074 18.99 -0.12 18.99 18.93 707 2.525 18.99 -0.12 18.99 18.93 707 2.525 54.50 -0.35 55.15 54.35 9.790 32.879 55.80 -0.30 56.00 55.25 4.779 31.682 56.65 -0.30 56.80 56.20 1,314 18,723 57.45 -0.30 57.70 57.05 15.39 20,126 58.65 -0.39 58.30 57.70 505 15.407 58.20 -0.20 58.45 57.85 223 8,148 prios change High Low Ver ext 169.50 -1.75 170.25 168.50 5,644 26,003 171.50 -1.50 171.75 170.50 1,309 14,515 173.25 -1.25 173.25 172.25 763 7.107 175.00 -1.00 175.00 174.00 547 13.765 175.50 -1.00 175.00 174.75 85 8.073 85 8,073 25 4,989 8,372 82,973 NATURAL GAS PE (1,000 fleres; peace per there) 9.000 +0.080 9.000 9.000 25 605 10.770 +0.020 10.770 10.750 75 1,220 200 6,305 MATURAL GAS KYMEX (10,000 mm2hr; \$/mm2hu) 2.425 -0.007 2.470 2.405 22.797 42.081 2.435 -0.029 2.510 2.410 11.662 41.611 2.580 -0.014 2.630 2.580 3.422 16.343

2710 +0.010 2745 2680 2,872 16,554

2,720 +0.010 2,780 2,890 2,370 18,330

2.550 +0.005 2.580 2.535 1,339 13,745

64.60 -2.21 56.81 54.05 20,979 36,708 58.70 -0.64 60.05 58.90 7,127 25,719 57.65 -0.57 57.80 57.40 1,578 10,780

57.10 -0.44 57.20 56.85 9,615 11,116 57.10 -0.29 57.20 56.90 3,696 10,001

57.50 57.50 7 3,543

III UNLEADED GASOLINE

NYMEX (42,000 US galls.; oUS galls.)

■ WHEAT LIFFE (100 tonnes; 2 per tonne) 85.50 +1.00 86.50 85.25 25 191 Sep 85.50 +1.00 84.00 88.00 205 3,993 Dec 90.50 +1.00 93.00 90.10 135 2,582 Mar 92.50 +1.00 95.00 94.25 25 945 Jei 96.50 +2.00 - - 38 Sep 458 9,865 Total 321.0 -4.6 - 1 2 3229 -4.7 327.5 322.6 700 15.675 324.7 -4.8 330.9 324.5 32.224 118.58 326.4 -4.9 331.0 327.2 1,630 14,102 326.2 -5.0 330.2 330.0 5 5.342 416.4 -11.1 4250 4125 2.160 11,505 ■ BAPILEY LIFFE (100 tonnes; £ per tonne) 84.25 +0.50 86.25 +1.90 SOYABEAN OIL CBT (60,000lbs: carits/fb) SOYABEAN MEAL CET (100 tons; \$/ton)

GRAINS AND OIL SEEDS

MAIZE CET (5,000 bu mirt cents/56% bushel)
 Sup
 260.75
 +0.75
 261.00
 256.00
 16.252
 38.836

 Dec
 253.50
 +1
 254.25
 258.25
 30.946
 182,580

 Mar
 271.75
 +1
 272.25
 266.25
 3.561
 36.554

 May
 276.75
 +1
 272.25
 274.00
 1.0.19
 10.048

 Jul
 279.75
 +1.5
 279.75
 277.25
 2.109
 16.524

 Sup
 252.00
 +4
 262.50
 260.50
 11
 1,585

 Total
 40.057
 276.264
 79.25 +1.00 79.25 79.25 15 143 82.25 +1.00 82.50 82.50 5 991 SOYABEANS CET (5,000bu mir. curts/60b hushe) 785.50 -6.25 797.00 775.00 4.577 2,677 650.75 -5.25 655,00 648.00 5,821 15,185 608.00 -325 611.00 602.00 27.20 81.671 611.25 -3 614.50 607.75 1,624 17.001 622.25 -25 629.00 614.25 1,539 8.188 631.00 +1.25 628.00 634.50 1,111 5,177 42,745 133,578 2.15 -0.19 22.32 22.18 442 512 2.25 -0.22 22.44 22.19 4.055 19.447 22.45 -0.2 22.62 22.38 2.800 14.831 22.78 -0.18 22.96 22.58 13.979 45.122 22.96 -0.2 22.96 22.89 433 7.522 23.21 -0.24 23.35 23.13 384 5.260 22.581 98.362 263.2 +1.7 263.5 259.0 3.038 5.256 230.4 -0.4 230.8 227.8 6,621 25,445 207.3 -0.9 208.0 205.5 3,001 15,990 198.7 -0.6 199.3 197.0 6,623 47,310 195.3 -0.8 195.6 194.2 718 6,454 191.8 -0.2 193.0 190.8 943 8,412 21,625 769,657 ■ POTATOES LIFFE (20 tonnes; £ per tonne) 2 FREIGHT (BIFFEX) LIFFE (\$10/Index point) 750 605 1,527 250 3,147 -17 1305 1300 -20 1379 1370 1292 1293 PULP AND PAPER PULPEX OMLX (\$6: 24 air dry tons)

543.00 +2.00 \$43.00 \$40.00 562.50 +3.50 562.50 560.00 FUTURES DATA All futures data supplied by CMS. Tea There has been strong general demand for tea. Thompson Lloyd & Ewent reports. Thompson Lloyd & Ewent reports. Landed new season Assams sold well, with prices lollowing quality up to 213 pence. East Africans met good competition pence, bast Amcarra met good competition at fully firm rates, perticularly Dusts, which often depreciated. Offshore there was good enquiry at dearer levels. Cucations for this self. Landach best available 185 –213p; good 168–180p; good medium 180 –160p; medium 145–160p; low medium 110–130n. The highest prose realised this

1020 +18 1021 998 491 19,853 1050 +19 1050 1027 2,576 42,185 1070 +16 1070 1054 634 50,294 1087 +15 1082 1070 43 22,132 1102 +15 1096 1095 25 7,688 1119 +16 1114 1113 10 10,952 ■ WHEAT CBT (5,000bu min; cents/60b bushel) ■ COCOA CSCE (110 tonness; S/tonness) 1589 1597 1606 1638 601 25,686 187 12,290 161 2.462 200 3.901 COCOA (ICCO) (SDR's/torne) Prev. 627 1162-62 ■ COFFEE LIFFE (5 tonnes; \$/tonne) Sop Nov Jan Her Her Jul Tutal -26 1470 1430 1,970 14,139 -21 1490 1445 2,227 15,949 -18 1475 1435 618 8,009 -23 1455 1422 57 1,792 -6 1445 1989 45 233 -6 - 22 1440 147,00 -43,50 147,00 144,00 354 3,664 141,50 -40,90 141,00 139,00 37 1,159 137,00 +0,40 136,50 134,40 9 804 132,50 -0,10 133,00 132,00 3 289 141.50 +0.90 141.00 138.00 137.00 +0.40 136.50 134.40 132.50 -0.10 139.00 132.00 COFFEE (ICC) (US comb/pound) WHITE SUGAR LIFFE (50 tonnes: \$/tonne) 3237 -1.7 325.5 324.0 28 6.442 325.0 -2.1 327.5 326.1 281 8.007 322.6 -0.8 324.0 323.5 12 1.851 319.4 -3.2 322.5 322.5 10 924 317.1 +0.3 317 9 317.3 ■ SUGAR '11' CSCE (112,000bs; cents/fbe) 11.82 -0.04 11.89 11.7218,118 99,510 1200 -005 1202 11.9312.197 64.483 17.94 -0.08 11.97 11.88 2.386 14.554 11.85 -0.05 11.86 11.80 729 9.094 11.85 -0.02 11.87 11.80 1.212 5.972 11.79 -0.01 11.75 11.75 27 1,182 COTTON NYCE (50,000fbs; cents/fbs) 73.80 -0.86 74.50 73.50 346 9,971 73.76 -0.80 74.50 73.50 2,337 41,744 75.00 -0.56 75.05 74.80 187 12.039 75.72 -0.56 75.05 75.55 389 4.01 75.37 -0.56 75.90 75.35 318 3,933 75.00 -0.20 75.10 75.00 11 856 GRANGE JURCE NYCE (15,000ths; cents/tbs) 67.20 -1.70 70.00 66.85 8,526 14.137 58.80 -Z.30 72.00 58.50 4.583 11,324 71,70 -2.20 74,70 71,50 1,850 5,301 74.70 -1.90 77.30 74.50 77.50 -1.35 80.00 77.50 80.00 -1.75 81.00 80.00 13,523 \$5,703

VOLUME DATA TOLLERE: DATA
Open Interest and Volume data shown for contracts traded on COMEX. NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. You'time 3 Open Interest totale are for all traded months. INDICES Reuters (Sase: 18/9/31 = 100)

Aug 16 Aug 16 month ago year ago 1894.5 1910.5 1897.3 1948.0 ■ CRB Futures (Base: 1967 = 100) Aug 15 Aug 14 month ago year ago 239.13 240.99 ■ GSCI Spot (Base: 1970 = 100) Aug 15 Aug 14 month ago year ago 193.85 194.52 184.99 199.81 LINE WARREHOUSE STOCKS IN Aluminium alloy +3,725

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000bs: carrentos) 66.425 -0.0 67.200 86.200 2,232 5,018 68.700 -1.5 69.900 88.700 8,627 50,822 70.775 -1.4 71.550 70.675 2,046 21,166 72.750 -0.825 73,225 72.450 607 112.19 74.750 -0.5 75.000 74.500 321 4,815 71.500-0.425 71.800 71.350 86 2,789 LEAN HOGS CME (40,000lbs; cents/lbs) 65.600 -0 925 68.750 65.590 349 62.125 -0.45 62.700 62.100 114 66.700 -0.4 65.950 66.700 130

82.300 -1.2 83.500 01.200 102 69.950 -1.675 72.400 69.775 1,117

Jul 72.950 -2 Yotal	-	-	1,242	16 4,532
LONDON TRA				
1650	Sep 45 22	Nov 85 64	Sep 26 36	Nov 79 106
III COPPER (Grade A) LME 2150	Sep 45	Nov 93	90 Sep 37	138 Nov 103
2250	25 12 Sep	73 55 Nov	55 101 Sep 52	131 183 Nov 106
1600	4 1 Sep	70 54 Dec	93 140 Sep	137 171 Dec
1000	23 6 2	55 74 62	3 13 32	38 48 62
IPE 1800 1650	Oct - -	Nov - - 75	Oct 21 -	40 58 84

LONDON SPOT MARKETS

■ CRUDE Oil FOS (per berrel) \$17.57-7.67w \$12.77-B.78 ■ OIL PRODUCTS XWE prompt delivery CF (forms) \$227-231 Heavy Fuel Oil Naphtha Jet fuel Diesel \$91-93 5192-194 MATURAL GAS (Perce/therm) 9.00-9.10 ■ OTHER Gold (per troy oz) 450.00c

Pleanum (per troy az.) \$205.00 Paliadium (per troy cz.) Leed (US prod) Tin (Kusta Lumpur) Tin (New York) Cattle (live weight) Sheep (live weight) Pigs (live weight)† 101.54p 109.64p 71.88p \$256.50 \$348.20 Lon. day sugar (raw Lon, day sugar (wis Barley (Eng. feed) Macon (US No3 Yellow) Wheat (US Dark North) Unq 2109.00 Rubber (Sep)♥ Rubber (Oct)♥ Rubber (KL RSS No1) 251.52

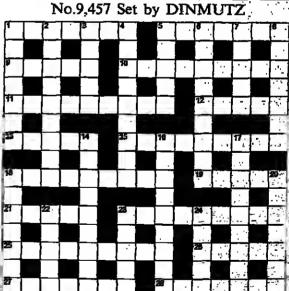
212.0 81.45c Soyabeans (US) Cotton Outlook A' Index 433p

\$382.5y

Coconut Oil (Philis

Patri Oil (Malay.)

CROSSWORD



ACROSS Plight of struggling artists One under rule of monarch is answerable (7) 9 Tasteful, elegant garret (5) 10 Where Canadians are put-ting bolt inside roof on

commercial vehicle? (9) Outrageous behaviour in standard New York car smash (9) 12 Nadir generally provides such a lament (5) 13 Small type of crack? (5) 15 Prokofiev's first one hears anew with these devices (9)

ments, to order (9) 19 Fists of noblemen (5) 21 Copy, in Greek, name of one who is astounded (5) 21 Copy, in Greek, name of 19 Proof against train-sets one who is astounded (5) going off the rails (9)
23 Wild-eyed satyr of most 17 Stark appearance of bald recent history (9) 25 One quick over the ground, getting more victims than spinner? (9)

mouth? (5)

streets around Rugby (7).

I Pinch a bit from the stable? 3 Become Hable for popular low dog (5) 4 Number having observed

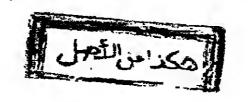
race inside (9).
5 This boy is one of a thousand yellow-haired (5) Gore family going to Slough? (9)
Shocking young thing, per-haps, with drunken revel (5) 8 Sailor wins ends (7)

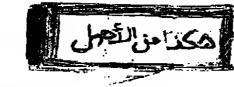
14 Honoured to be coming out of Northoene? (9) head? (9)

18 Hoodlum with no name as a comedian (7) 20 Cuts grass, producing troninitially (7)

27 Red does become a screen 22 Peru's winding river is less in church (7)
28 Drives in the endless 23 Your family turning sour after end of party? (5) 34 Apple from a tree? (5)

Solution to Saturday's prize puzzle on Saturday August 30: Solution to yesterday's prize puzzle on Monday September





graph silve

FT Cityline Unit Trust Prices are available over the telephone. Cr

FT MANAGED FUNDS SERVICE

Offshore Funds

	FT Cityline Unit Trust Prices are available over the telephone. Call the FT City	vline Helm Desk on (i-44 171) 873 4378 for	more details.	OHDO OLIT			Onshore Funds
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	OFFSHORE	Street Managers (Irriband) List (U)	Lazzard Investment Featis Ltd - Contrl.	Asian Diversified Equity Fund Pic	HSBC UK Equity Plus VI PIC	Value Express Faul Pic	TSB Fund Managers - Contd.
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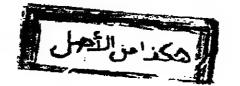
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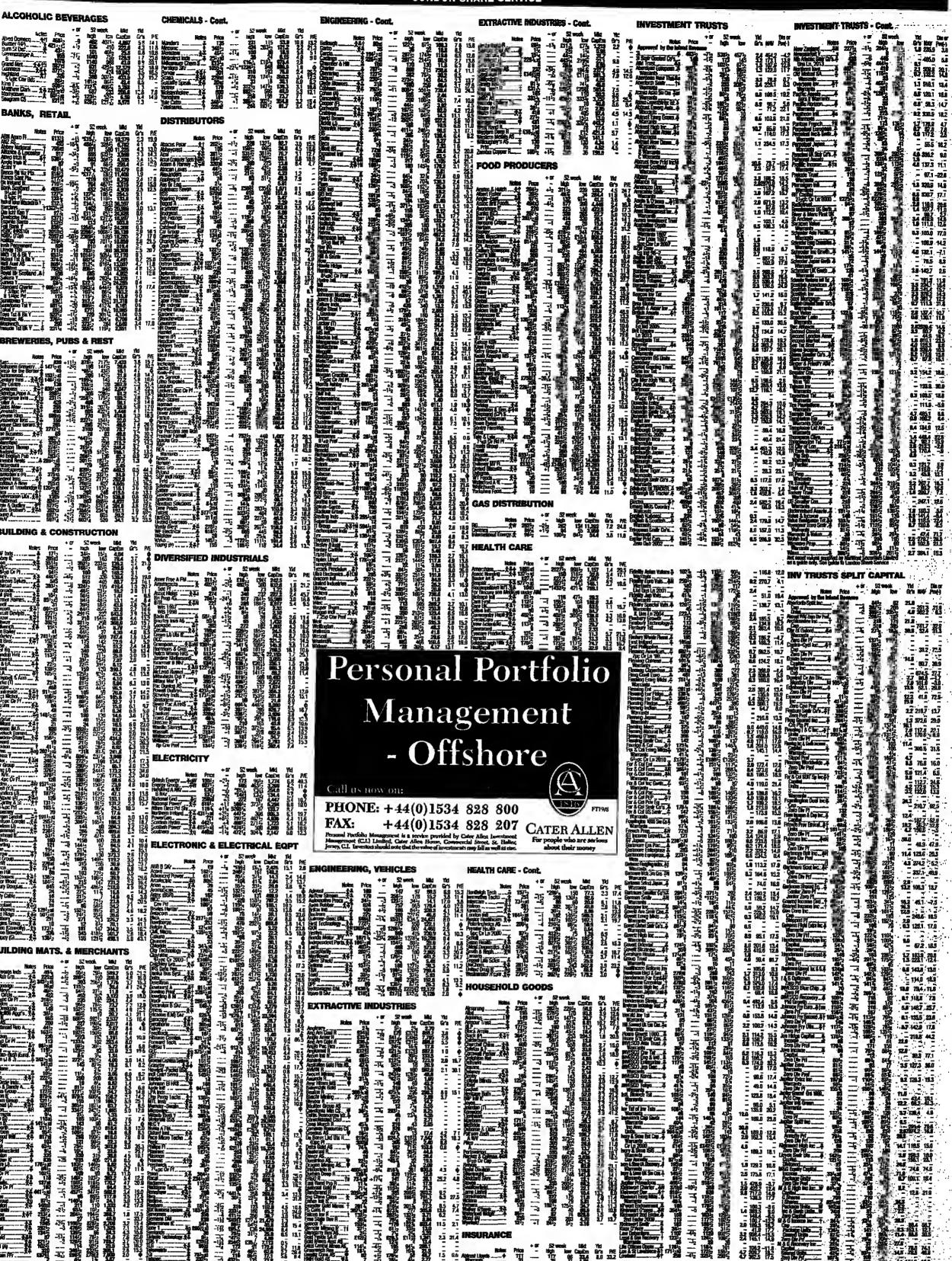
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LONDON STOCK EXCHANGE

Footsie rallies to finish above session low

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Down, but not out, was the general view of the London market's performance after last Friday's global equities sell-off.

At the finish of a day expected to produce all sorts of mayhem in world markets, the FTSE 100 delivered a reasonably robust performance, closing a net 30.8 off at 4.835.0.

The other FTSE indices, the 250 and SmallCap, were slightly less impressive. The former ended 34.6 down at 4.663.6, having dropped 51.1 at the session low, worst of the day.

There had been widespread equity market would come under further heavy selling pressure Wall Street opened on a bright prompted by Friday's 247-point note. slide in the Dow Jones Industrial Average.

in the event the market's belldown over 70 points at the start, as City marketmakers chopped their opening quotations.

But dire predictions of a flood of selling of UK stocks by the big kets. institutions failed to materialise. We saw some selling pressure, but nothing that would have pre-

was down 86.5. It subsequently expectations that London's which took it to a day's best of give way and was showing a 70- get down to 4,700, watch for the

Equities owed their better than showing by global bond markets. wether, the FTSE 100. was driven US bonds, which surprised dealers by clinging on to minor gains dented by Friday's retreat. "Fri- bond markets. He, too, pointed last Friday, were up again during day was more than just a rap on out that the weakness on Friday helping to sustain European mar-

> UK gilts were additionally belped by a higher than expected £3.88bn public sector debt repay-

> > 5931/2D.

stock dipped 4 to 409p.

from one broker.

Smith & Nephew held out

against the overall market

weakness as the announce-

ungraded recommendation

S&N won approval from

the Canadian Health Protec-

tion Branch to market Der-

magraft for the treatment of

diahetic foot ulcers.

while the latter settled 14.8 down cipitated a slide," said one mar-ment for July, against expecta- stocks as the Footsle fell from at 2,228.6, only a fraction off its ketmaker. At its worst, Footsie tions of a £2hn repayment figure. above 5,000 to its current level. Up over 20 points shortly after Volume was 595.9m shares, the embarked on a gradual recovery, the start, the Dow later began to lowest for several months. "If we

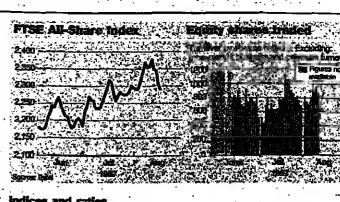
> 4.852.6, down 13.2, not long after point fall 90 minutes after Lon- big institutional sell-off," he don closed. Marketmakers said the day's action took place amid extremely investment bank in London expected performance to a good thin trading volumes, but they spoke of a technical setback warned that overall sentiment in "not the start of a bear market" -

> the market had been severely and also noted the strength of London trading hours yesterday, the knuckles; there is a feeling had been mostly concentrated in that there has been a definite a handful of the leading stocks, change of direction for the mar- and that inherent weakness ket." said one.

He added that there had been very little turnover in the top 100 some weeks."

warned.

The head of trading at one US across the market "won't get washed out in days, it might take



ndices and rati	98				
TSE 100	4835.0	~30.8	FT 30	3124.8	-18.5
TSE 250	4664.0	-34.2	FTSE Non-Fins p/e	NA	19.72
TSE 350	2340.6	-15.3	FTSE 100 Fut Sep	5002.0	-18.0
TSE Ali-Share	2287.40	-15.00	10 yr Gilt yleid	NA	7.12
TSE All-Share yield	NA	3.41	Long gift/equity yld n	BOTIO, NA .	2.12
est performing	sectors		Worst performin	g sectors	5 , N

HSBC slides again

By Peter John

Concerns about the Hong Kong market and a significant change of heart from one leading broker saw **HSBC** Holdings continue its downward journey.

Following a slide of 166p on Friday, the stock fell 701/2 to £20.97. The slide was the biggest in the Footsie in percentage terms and represented a two-day retreat of more than 10 per cent in the UK's biggest stock by mar-

ket valuation. The Hang Seng index, of which HSBC is a large constituent, was closed vesterday. But the indicative index of Hong Kong stocks quoted in London was off 4.7 per cent on growing concern about a speculative attack

on the Hong Kong dollar. Also, SBC Warburg, which has been a huyer of the stock all the way up from £10 a share, removed its positive recommendation vesterday. The broker moved its stance on the stock to "hold" from "add" citing concerns Kong mortgage margins.

However, the slide appeared worse than it was, as HSBC went ex a 20p net dividend yesterday.

Barclays and Standard Chartered also went ex-

tered 21 to 9961 p. Elsewhere in the sector, Lloyds TSB dipped 14 to 711p and Ahhey National 3 to 795p. Alliance & Leicester lost 312 to 617p and Halifax 3': to 719'2p.

Among industrial stocks. last week's demand for BTR. which made it one of the best performing stocks of the week, continued into yesterday. The shares appreciated another 6 to 221p, making it the best performing stock in the FTSE 100, with US buyers once agaio said to be responsible for the demand. Volums was 8.2m.

highlighted demerger possibilities at the company and the stock's recent underwhile NatWest Securities was said to have issued a positive note on the stock.

The shares have gained 30p in a week but remain far short of their 12 month high of 284p. The all time high of 407p was recorded in mid-

There was a switch out of BP, which is heavily exposed to oil prices, and into Shell Transport, which has more reliance on downstream chemical profits.

Part of the switch was a reversal of the recent trend, which has seen BP hit new highs on the back of sparkling figures a fortnight ago. about the outlook for Hong while Shell slumped on the back of very disappointing results shortly afterwards.

However, oll-price sensitive stocks were out of favour as underlying crude prices fell back. Crude has been under pressure since dividend. Barclays fell 14 to last week when Iraq started

UN brokered oil-for-aid had downgraded its recomagreement. BP fell 13 to mendation on the shares 837 p while Shell moved for from "add" to "hold". ward 6 to 4161/2p.

National Power muscled 71/2 at one stage but a techniits way towards the top of cal switch by a rival broker the list of blue chip outperformers with investors looking for defensive stocks

with sound fundamentals. The shares, which had fallen 14 per cent since approaching their peak in late July, were also beginning to offer an attractive yield. Meanwhile, PowerGen added 8 at 721.

Southern Electric held its Weekend press comment ground with assistance from ment of a product approval a "buy" note published by was combined with an Credit Lyonnais Laing and closed 11/2 off at 449p. Legal & General fell back

in early trading as Dresdner Kleinwort Benson highlighted its more cautious view on the stock. In a big sector review Although the approval will

FT 30 INDEX

Aug 18 Aug 15 Aug 14 Aug 13 Aug 12 Yr ago "High "Low 3124.8 3143.3 3198.2 3185.0 3226.5 2801.9 3222.3 2668.8 3.53 3.51 3.44 3.45 3.40 4.13 4.22 3.39 1830 18.40 18.40 18.80 18.74 19.01 16.72 19.07 15.80 18.11 18.22 18.61 18.55 18.82 16.55 18.88 15.71

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52 Week higher and lower LIFFE Equity actions Rises and falls 26 106

Aug 18 "Data based on Equity shares listed on the London Share Service

£13.82½ and Standard Char- to pump out oil following the Kleinwort pointed out that It have a marginal effect on profits, it paves the way for sceptical about the prospect approval into the more significant US market.

> The shares were were off Also, NatWest Securities removed its negative stance on the stock. The broker into Legal from Prudential pointed out to clients that saw the former's price tick the shares had underperback up to end the day 2 formed the FTSE All-Share by 27 per cent over the past higher at 444p. Pru slid 14 to year and was now on a 124 per cent yield relative to the hroad market. And, it said, Kleinwort also advised clients to reduce holdings in London & Manchester. The recent figures aignalled an improvement in US earnings

growth. The shares eased only % to 178%p. News that it has won a US patent for its Forstst flu' vaccine saw Cortecs marked

11/2 higher to 2161/2p. Turnover in rentals group Thorn B shares rose to 68m the group to 20.5 per cent. following an agency cross around the 20p level as the company purchased another block of its own shares for cancellation.

The company has now bought around 95.5 per cent of its B shares and all have now been cancelled, with only 19.69m B shares remaining in issue.

Thorn announced its B share repurchase offer at the end of May. The ordinary stock eased a penny to close at 169p, having traded 1.7m. Shares in botels and lei-

sure company Ladbroke Group rose 31/2 to 2531/2p, after a UK court dismissed lottery-operator Camelot's attempt to have a numbers game made illegal.

The game - 49s - is run by Ladbroke. bookmakers Coral, which is owned by drinks and hotels group Bass, and Brent Walker, owned William Hill

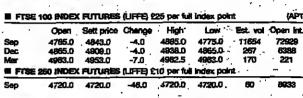
A weekend press report suggesting Bass is considering a £650m bid for First Leisure following the government's decision to block its planned purchase of the Carlsberg-Tetley brewing group, helped the sbares

Analysts were initially of such a bid but sentiment appeared to change during

the course of the session. One market specialist said: The financial strength of the Bass halance aheet means a deal of this kind would he no problem. In fact, it would improve the outlook for Bass and and help raise the quality of earnings in particular."

The bid talk helped First Leisure shares gain 111/4 to 322%n while Brent Walker Group was steady, trading unchanged at 11/2p. Retailer Sears was the best performing FTSE 250 stock, closing 21/2 up at 62p after PDFM said it raised its holding in

FUTURES AND OPTIONS



FTSE 100 INDEX OPTION (LIFFE) (*4844) \$10 per full index point

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LONDON RECENT ISSUES: EQUITIES

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-	F.P.	79.3	6812	80	Viglet Tech	85	-12				

	Aug	% obg	Aug	Year .	Gross 'tilly	P/E	52 9	nek.
	15	on day	14	290	yield %	puliq	High	Low
Gold Mines Index (31)	1446.29	+05	1439.16	2005.02	2.19	-	2081,06	1270.1
nt Regional Indices								
Africa (34)	1441.09	-1.7	1465.88	2587.77	5.33	23.84	2695,89	1324.0
Aostralasia (6)	1575.87	+29	1531.48	2355.17	3.36	18.12	2455.10	1336.1
North Arestica (11)	1445.75	+0.9	1433.43	1790.63	0.97		1854.46	

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	Ореп	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/da	y Low/day
FTSE 100	4794.0	4806.2	4811.0	4830.7	4842.0	4844.7	4839.8	4646.7	4844.6	4852.8	4779.3
FTSE 250	4653.8	4648.1	4651.8	4652.2	4656.2	4658.0	4659.1	4659.7			4647.1
FTSE 350					2342.6	2343,8	2342.0	2344.7	2344,3	2347.1	2317,4
FTSE SmallCap	2230.56	222a.72	2229,33	2229.25	2230.13	2230.32	2230.39	2229.98	2228.86	2230.59	2228.51
FTSE All-Share	2271.98	2275.74	2277,81	2284,83	2289.30	2290.41	2288.77	2291.28	2290.83	2293.45	2266.30



The Financial Times plans to publish a Survey on

World Economy & Finance

on Friday, September 19

This survey is published to coincide with the IMF &:

World Bank meetings.

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Hannah Pursail

Tel: +44 171 873 4167 Fax: +44 171 873 4296

or Tim Hart in New York

Tel: +1 212 752 4500 Fax: +1 212 319 0704

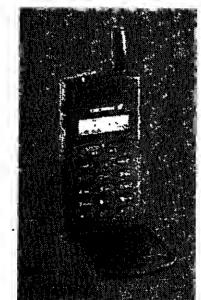
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When Ericsson called for a 24-hour FX trading desk

hase answered it.

Sweden's Eriesson tapped Chase's expertise in global foreign exchange to effectively manage currency exposures from its substantial cross-horder commercial flows With busines activities in more than 130 countries, this leading global supplier capabilities of Chase - day and night

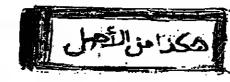


⁴² Professional management of our foreign exchange flows and currency risks is an integral part of the successful development of our company. We look to global currency capability



CHASE. The right relationship is everything.

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| The - A -- B -92 33 8887Cp 32 & 22 8CE 11 6 la Bairreso 21 16 la Bairreso 47 la 32 la Bairreso 31 la 24 la Bairreso Be our guest.

When you stay with us in BRUSSELS

stay in touch .

FINANCIAL TIMES
No FT, no comment.

Set 1. Set Colors | 1.00 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 85¹2 47¹2 GMX 8¹5 3¹5 GMC an 40¹5 41¹5 GME 20¹5 18¹5 GME 10¹5 9¹5 GME 20¹5 24¹5 GME 50¹5 20¹5 GME 45 28 GME 45 28 GME 46¹5 20¹5 GME 20¹5 GME 46¹5 20¹5 GME 20¹5 GME 46¹5 20¹5 CME 46¹

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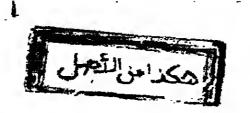
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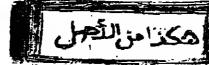
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Dow dips further at midsession

US stocks weakened further, following Fridey's 247-point collapse in the Dow Jones Industrial Average, as technology stocks came under renewed pressure after a mixed financial report by the computer maker, Hewlett-Packard writes John Labate in New York.

At 1pm, the Dow was 52.26 lower at 7,642.40 and the broader Standard & Poor's 500 index was down 5.29 at 895.52. The Nasdaq composite index, which is weighted heavily in technology issues, also lost ground, off 10.76 at

Contributing to the mar-ket's pull hack is a growing list of profit warnings by leading stocks, including Gillette last Friday. "The flow of earnings news has been disappointing," said Doug Cliggot, US equity strategist at J. P. Morgan. Although several factors added to the recent selling trend, he said that one contributor was the rift between bonds and stocks in early August.

"At the peak, the S & P 500 was some 7 to 8 per cent overvalued sgainst the 30-Year Treasury bond yield." said Mr Cliggot. He believed that the market's current level, after the recent pullback, was fairly-valued against Treasuries, although

in the Dow might continue. "Anything that could be interest rate sensitive or drive monetary policy would be the most shocking news," said Arthur Hogan, senior equity trader at Morgan Stanley. That would include a change in German interest rates this week, which remains at the front of bond VW gained DM30 to and stock market investors DM1,283 after the motor

Hewlett-Packard announced earnings below said the results trended expectations in spite of a towards the upper end of strong rice in revenues. Traders knocked-off \$4% or more than 6 per cent at \$62 from the stock, which has risen sharply in recent

TORONTO ignored the steadier performance on Wall Street to move steeply lower in early trading. Banks were weak and so were golds. At the noon calculation, the 300 composite to do the rounds. index was off 56.39 at 6,638,70.

The market held relatively steady in the face of the heavy sell-off in the US on Friday, so yesterday's run on sentiment was hard to pinpoint. "Its all a bit puzzling. Most traders are putting it down to the weakness of forestry stocks and the bullion

price," said one broker. Golds streamed lower. Barrick came off 45 cents to C\$32.10 and Placer Dome further short-term falls retreated 30 cents to C\$24.30.

Sao Paulo stocks dive

markets moved uniformly lower in spite of the steadier opening on Wall Street. SAO PAULO fell steeply in

volatile trading. Dealers said the options settlement and Friday's shakeout on Wall Street had made for en unsettled morning session. The leading Boyespa Index off 3 per cent at one stage was down 223 or 2 per cent et 11.112 at midsession. Leading shares moved lower across the board. Telebras 131.02.

R\$531. Petrobras ehed 2.7 per

MEXICO CITY stayed 19,213,12. weak in thin volume. At was off 63.25 or 1.3 per cent at 4.893,36.

SANTIAGO, closed on Friday for a national holiday, had some catching to do. At the IPSA index was 1.21 at

MARKETS IN PERSPECTIVE									
	% 0	hange in le	ed commency	t	% charge †	% change in US S †			
	1 Week	4 Weeks	1 Yetr	\$2art of 1987	Start of 1897	Start of 1997			
Austria	-3.48	-2.11	+33.85	+21.81	+9.68	+3.20			
Belglum	-0.61	-2.42	+37.66	+25.84					
Denmark	-1.94	-5.05	+47.92	+29.14					
Finland	-3.07	+0.88	+76.97	+45.75	+30.94	+23.21			
France	-2.35	+1.32	+45.01	+24.53	+12.30				
Germany	-4.34	-0.76	+57.74	+40.76	+26.79	+19.30			
Ireland	-1.56	+2.58	+43.12	+31.84	+21.03	+13.88			
Italy	-0.79	-1.24	+53.52	+39.71	+27.15	+19.63			
Netherlands	-10.26	-4.61	+61.22	+38.00	+23.90	+16.58			
Norway	-2.61	+2.76	+54.21	+29.69	+16.20	+9.34			
Spain	-1.10	-1.94	+70.88	+32.48	+18.94	+11.92			
Sweden	-2.92	+0.56	+66.74	+36.72	+24.77	+17.40			
Switzerland	-5.79	-3.53	+49.88	+39.38	+32.53	+24.70			
UK	-2.73	+0.52	+23.51	+16.06	+16.08	+9.20			
EUROPE	-3.67	-0.71	+42.46	+27.89	+20.36	+13.25			
Australia	-1.54	-0.93	+23.11	+12.53	+12.05	+5.43			
Hong Kong	-3.67	+4.31	+30.47	+9.82	+16.51	+9.82			
Indonesia	-6.86	-14.46	+17.82	-5.97	-17.96	-22.80			
Japan	-0.14	-1.92	-2.62	+3.85	+9.44	+2.96			
Malaysia	-2.22	-8.86	-16.16	-27.51	-30.07	-34.20			
New Zealand	-2.08	+0.00	+15.90	+6.22	+2.63	-3.44			
Philippines	-9.10	-9.96	-26.16	-27.A7	-31.97	-35.99			
Singapore	-5.02	-9.70	-8.64	-14.72	-16.40	-21.34			
Thailand	-2.45	-4.14	-49.75	-26.09	-36.57	-40.31			
Canada	-3.55	-1.51	+35.15	+14.27	+19.80	+12.72			
USA	-3.22	-1.29	+35.82	+21.46	+29.09	+21.46			
Braz#	-5.87	+1.95	+61.71	+50.12	+52.45	+43.44			
Mexico	-2.29	+4.04	+45.11	+43.94	+55.07	+45.91			
South Africa	-3.10	-1.34	+9,59	+6.71	+15.23	+8.43			
WORLD INDEX	-2.87	-1.1a	+27.89	+18.55	+21.45	+14.27			

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses

Brazil (30).

tretand (17).

Japan (485).... Malaysia (107)

New Zealand (14) Norway (41) Philippines (22)

Soain (33) .

USA (638)

Americas (821).

Euro-Pacific (1594)

Europe Ex. UK (500).

The World Index (2459).....258.21

Canada (126) Denmark (32)

Bourses pick up from heavy early losses

EUROPE

European markets mostly clawed back early losses as Wall Street opened firmer. Indeed, FRANKFURT ended modestly higher, supported by a rally for Volkswagen after a solid set of first-half results

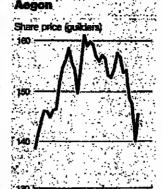
Shares rallied from earlier heavy losses, although volume was subdued. At the close of electronic trading, the Dax index was up 2.96 at an Ibis-indicated 4,080.55 having touched a low of 3,965.31 earller in the session.

giant reported a strong rise in interim profits. Analysts market expectations. BMW added DM1.50 to

DM1,300.50 following a forecast from the carmaker that the group was likely to repeat its strong first-half performance in the final-half of the year. Among retailers, Karstadt

gained DM27.50 to DM689 as optimism about restructuring in the sector continued AMSTERDAM made a

comeback after last week's sharp falls, and the AEX index ended 23.06 or 2.6 per



erasing an early 14.36 fall. Institutional huying pushed the market into firmer territory as the conviction grew that last week's falls had been overdone. The stronger dollar also boosted

Financials led the rise ahead of results and also on takeover rumours. Insurer Aegon, which added F14.70 to FFr2,230. to Fl 144.70, was said to be a ABN Amro leapt 6 per cent

or F12.70 to F147 and ING notched up a 4 per cent or Fl 3.70 rise to Fl 94.50. The groups are expected to results on Thursday. Entertainment group Poly-

F163.80 ahead of its results PARIS fell 51.71 or 1.8 per

continued to dog trading

Supermarket group Carre

FFr3,929. But most other leaders moved determinedly lower in a fairly trendless session. Renault was the leading

ZURICH extended its consolidation into a sixth straight session and the SMI

report sound half-year formly down in line with the SMI, but some secondary issues remained in positive

on analysts' upgrades. Ship-ping leader Nedlloyd bucked the trend, losing F11.20 to

cent to 2,870.13 on the Cac-40 index as worries about a rise for German interest rates

Volume was relatively healthy et 13m shares, but the broad mood remained eubdued, not helped by a downgrade to underweight on France by BZW.

four stood out against the downtrend, adding FFr31 to

casualty, sliding FFr9.30 or 5.6 per cent to FFr157. Canal Plus, CCF and L'Oreal all shed more than 3 per cent. Canal Plus lost FFr38 at FFr1,038, CCF FFr9.80 to FFr315.20 and L'Oreal FFr90

index finished 92.9 or 1.7 per cent lower at 5,405.6, but up from an early 5,278.3. Most blue chips were uni-

cent higher at 917.48 after Gram rose Fl 230 to Fl 110 territory. Holderbank picked

FTSE Actuaries Share Indices

			- JAMES -	N-con M		- Arrest
F1SE Eurolop 300	944,87	-0.68	-6.44	2.40	0,67	946.65
FTSE Eurotop 100	2184.31	-0.88	-19.62			
FTSE Ferolog 200 B	anione					
300 UK	951.97	-0.34	-3.26	3.44	1.77	957.65
300 Ex-UK	940.75	-0.87	-8.27	1.82	0.04	. 940.63
300 Enrohipç	943.44	-0.31	-282	1.98	0.06	943.54
300 Ex-Emphos	945.69	-0.94	-8.99	2.70	1.11	949.41
F7SE Eurolop 300 Ec	onanic Gross					
Resources	953.27	+0.16	+1.48	2.90	0.00	954,72
General Industries	989,77	-0.62	-6.02	. 2.03	0.25	970.39
Consumer Goods	914.05	-1.10	-10.13	203	0.00	916.10
Services	947.57	+0.09	+0.82	2.35	0.41	948.62
Utilities	926.87	-0.89	-8.34	3.40	0.77	931.50
Financials	950.10	-1.00	-8.61	242	1.50	953.04
Base value 1900. Many lady	realise on hits/h	man fine com.	FISE and Tax	مشاوي جو 'باره	el made med	a of the Lamber

np SFr21 to SFr1.231. although analysts noted that this was still 17.2 per cent down from its year's high, established on July 8. The dollar sensitive Surveillance was SFr20 higher at SF13,015.

Baloise, seen as a possible takeover target after the planned CS Group-Winterthur merger, jumped SFr70 to SF13,940. CS Group lost SF15 to

SFr181 and Winterthur was SFr48 lower at SFr1,332. Michael Lindsay at Lehman Brothers said that after last week's fall in companies' share price, it was questionable whether the proposed

be accepted. The proposed deal currently valued Winterthur at SFr11.8bn, compared with SFr14.8bn at the time of the offer. STOCKHOLM ended down

but off the day's lows, with

the general index finishing 22.35 lower at 3,130.81. Market heavyweights were weak, with telecoms group Ericsson falling Skr1 to Skr347.50 and drugs commpany Astra shedding Skr1.50

to Skr132.50. HKI SINKI closed lower on today's Federal Open Market Committee Meeting. The Hex index closed down 59.60 at 3,451.30, off its low of

FM8.50 to FM446.00 and Raisic lost FM20.00 or 3.6 per cent FM535.00.

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Performs well:

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Among the European emerging markets, BUDA-PEST tumbled 3.2 per cent as worries about the market's current valuation were compounded by the recent mixed batch of first half-corporate earings. The Bux index lost 247.02 at 7,552.00.

WARSAW returned from a long holiday weekend with a loss of 2.9 per cent, as profittaking continued to eat in to the 14.5 per cent rally seen over the six trading sessions to August 11.

The main market's Wig index fell 491.7 to 16,428.7 in turnover that eased to 159.4m zlotys.

Analysts said that Polish shares still looked relatively cheap compared with valuations in neighbouring markets, but they added that uncertainty in the run-up to the September 21 partiar tary elections was likely to limit the upside.

ISTANBUL extended recent losses on worries that interest rates and inflation could rise after an increase in petroleum prices. The interest rate jitters ahead of IMKB National-100 index lost 52 at 1,952.

Morgan, Jeffrey Brown and

Tokyo pares early setback to end 1.5% lower

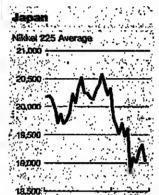
ASIA PACIFIC

Tokyo ended 1.5 per cent lower on the Nikkei 225 average after losing almost 500 points at one stage, writes Gwen Robinson

Discouraged by Friday'e Dow shakeout and the decline of Nikkei-225 index Latin American stock was off 1.8 per cent at futures in Osaka, investors R\$134.60 and Electrobras sold stocks across the board. came off 2.6 per cent at The Nikkei 225 everage fell 284.93 to 19,041.10 after trading between 18,835,48 and

Share prices opened midsession the IPC index sharply lower on heavy selling of blue chips, which drove the 225 index below the 19,000 level by mid-morning. The slide accelerated as hedge selling of index the midsession calculation futures prompted arbitrageurs to dump cash stocks. In the afternoon, however, bargain hunters moved in to help some blue chips and other issues recoup losses. although trading remained

> sbort-term outlook. modest. Declines overwhelmed advances 776 to 314 with 143 unchanged. The Topix index of all firstsection stocks fell 11.40 to reports that the ailing con-1,490.29 and the capital- tractor is making progress weighted Nikkei 300 was with its rehabilitation plan. down 2.33 at 291.82. In Lon- Towa Real Estate, one of



don, ISE/Nikkel-50 closed up 0.69 at 1.665.81.

Blue chips were mostly lower. Sony fell Y400 to Y11,500, Advantest Y400 to Y12,300 and Tokyo Electron Y330 to Y7,650. NEC fell Y20 to Y1,610. Pioneer Electronic, however, rose Y20 to Y2,790 on yesterday's announceerratic. Analysts were ment that profits surged in divided on the market'e the April-June quarter.

Some construction-related Volume was relatively issues drew buying interest their recent steep slide. Fujita, the day's most active stock, gained Y16 to Y106 or

South Africa falls sharply

Sonth African shares fell sharply in response to Wall Street's sell-off on Friday, but pared their losses when the US market opened

The all share index lost 78.5 to 7,361.3, the indus-R59.50. trial index was 71.9 down at 9,049.0 and the gold index dipped 5.8 to 1.016.4.

Dealers said the day's thin volumes indicated that there had been no panic-selling. If overnight trades were excinded, only R500m worth of shares were traded on the

Of the 478 shares traded, there were 327 declines, 75 advances and 76 unchanged Market leader De Beers closed 275 cents down at R147.25. Sasol saw large volumes, closing steady at

Gold shares enjoyed some small interest after falling in sympathy with the over all market with some deal ers saying a pull-back from equities could boost hullion. But investors were disappointed that the metal failed to respond to the turbulence on equity markets.

| 229.94 | 214.84 | 171.25 | 220.89 | 205.79 | 243.87 | 199.41 | 199.41 | 193.02 | 180.36 | 143.85 | 185.27 | 185.16 | 206.00 | 174.70 | 178.20 | 238.84 | 223.15 | 177.98 | 229.23 | 224.44 | 261.11 | 213.92 | 215.91 | 288.70 | 267.97 | 213.65 | 275.18 | 573.11 | 222.44 | 172.54 | 180.67 | 283.90 | 368.69 | 285.08 | 368.46 | 367.17 | 421.25 | 315.48 | 315.48 | 304.42 | 284.43 | 226.85 | 232.17 | 353.16 | 314.06 | 205.98 | 208.67 | 222.75 | 208.13 | 186.00 | 213.79 | 217.95 | 238.32 | 175.87 | 227.09 | 212.19 | 169.23 | 217.95 | 238.42 | 172.93 | 175.87 | 227.09 | 212.19 | 169.23 | 217.95 | 238.42 | 172.93 | 175.87 | 236.65 | 351.31 | 423.78 | 545.76 | 565.72 | 580.03 | 421.41 | 426.84 | 366.18 | 367.16 | 236.85 | 367.16 | 236.85 | 367.16 | 236.85 | 367.16 | 236.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 367.85 | 3

403.89 377.36 300.98 387.64 383.33 431.56 297.04 298.63 86.96 81.25 84.80 83.46 71.91 98.47 61.84 61.84 322.38 301.21 240.24 308.41 334.94 330.72 247.39 247.39 134.57 125.79 100.28 129.15 197.90 214.07 180.34 200.82 322.0 310.38 247.55 318.83 232.46 448.01 330.24 388.23 351.11 328.05 261.64 336.98 339.42 370.12 301.49 323.82 242.73 226.79 180.88 232.97 286.83 276.05 173.01 178.26

242.73 226.79 180.83 222.97 286.93 276,05 179,01 178.26 497.92 465.22 371.05 477.63 593.45 512.39 352.11 356.14 297.37 277.94 221.60 285.40 280.89 329.59 231.69 247.12 58.42 54.58 43.53 56.07 71.53 146.68 47.55 142.53 311.60 281.14 232.20 299.06 291.14 325.26 241.12 241.12 375.62 350.95 279.91 360.51 375.62 389.67 264.75 269.93

343.52 320.96 255.99 329.70 289.39 356.35 242.47 246.75 272.02 254.15 202.71 261.07 265.95 284.44 212.81 212.90 422.68 394.92 314.98 405.67 440.53 437.88 307.34 309.16 149.11 139.32 111.12 143.11 112.31 163.27 127.10 160.98

365.73 341.71 272.54 351.02 365.12 379.38 258.56 263.15 244.59 228.52 182.27 234.75 245.59 256.73 181.01 182.70 302.80 282.92 225.55 290.62 274.31 320.65 280.04 280.04 204.62 181.18 152.48 186.39 176.99 212.89 178.94 188.63 264.21 275.1 184.44 262.97

204.62 IS1.18 152.48 196.39 176.99 212.89 176.94 183.69 254.21 237.51 189.44 243.96 228.19 262.69 204.12 207.40 324.46 303.15 241.78 311.40 320.03 334.83 242.70 244.31

259.17 242.14 193.13 248.74 234.02 267.21 207.64 210.34

200.42 187.26 149.35 192.36 365.73 341.71 272.54 351.02

112.31 163.27

170.04 209.12 173.55 182.48

Fujita subsidiaries, also benefited from the news, rising Y7 to Y97. Shimizu rose Y8 to Y592, but Obayashi fell Y6 to Y715 and Kajima slid Y9 to Y601. Banks were mixed. Fufi

Bank rose Y20 to Y1.590 and Dai-Ichi Kangyo Bank Y10 to Y1,470, but Sakura Bank slid Y26 to Y740 and Bank of Tokyo-Mitsubishi Y20 to Y2,330. Pharmaceuticals also drew mixed interest. Takeda Chemical Industries gained Y50 to Y3,600 and Banyu Phermaceutical Y30 to Y2,010. Yamanouchi Pharmaceutical fell Y80 to Y2,990 and Sankyo Y30 to Y3,960. In Osaka, the OSE everage fell 296.51 to 20,018.12 in vol-

ume of 36.8m shares. SYDNEY fell steeply with the All Ordinaries index ending off 47.7 at 2,618.5 after political and currency con- 29.78 or 3 per cent at 880.45. touching a session low of 2.539.8. Banks showed the sharp-

est falls with the sector index down 2.4 per cent. NAB fell 25 cents to A\$18.96 and ANZ 33 cents to A\$9.92. Westpac shed 15 cents to Among industrials Coca-

Cola Amatil fell 30 cents to A\$14.705. BHP came off 39 cents to A\$17.108. MANILA fell 80.26 or 3.3 per cent to 2,368.67 on the

composite index following renewed weakness for the peso. "The Dow did not help, but it's really all currency related," said one trader. PLDT fell 35 pesos to 840 pesos and Manila Electric came off 2 pesos to 117 pesos. BANGKOK tumbled as composite index closed down kept the market pressured.

cerns took their toll of sentisince the baht's devaluation to M\$8.20. on July 2 and the third straight decline.

Brokers said the market said was likely to intensify political squabbling. A further fall in the value of the baht also weighed on sentiment. Banks led the declines, with the sector shedding 5.3 per cent. Bangkok Bank topped the active list, falling Bt8.00 to Bt160.00.

KUALA LUMPUR also suf-

The session low of 877.47 was ment. The SET index its weakest level since Janudropped 18.9 or 3 per cent to ary, 1995. Malaysian Bank 604.34, but on thin volume. It shed M\$1.00 to M\$21.80 and was the index'e lowest close Telekom Malaysia 60 cents

• HONG KONG Was closed although in London. Hong Kong stocks added to disliked last week's limited Friday's 3.3 per cent slide cabinet reshuffle, which they with a fall of a further 4.7per cent. Analysts noted, however, that between July 9. when the market's latest rally began, and August 7, the Hang Seng index had rallied 2,000 points to 16,673.27, making the market susceptible to profit-taking. Fears about a speculative ettack on the Hong Kong dollar, Asia'e last main US dollar fered currency concerns. The fixed exchange rate, also

SECTOR





IINOS Y PUENTES FEDERAI **DE INGRESOS Y SERVICIOS CONEXOS (CAPUFE)**

Descentralized Public organization of the Federal Government International Bidding Procedure :

Based on the Constitucion Politica de los Estacos Unidos Mexicanos (the Mexican Political Constitution), Article 134, and in accordance with the "Ley de Adquisiciones y Obras Publicas" (the Law of Acquisition and Public Works). Capufe invites bidders to participate in the multiannual public international bidding procedure authorization, No. 113/2258 of August 11, 1997, related to the acquisition of an integral new toll system under the mode of a turn key project according to the following terms:

No. bidding		Price of the bidding basis	Clarification Meeting	Presentation of Proposals and opening of technical offers		ening of mic Offers	Period of Implementation		
09 12000	1-012-97	US\$ 2,500,00	Oct. 01, 1997 9:30 A.M.	Oct. 20, 1997 10:00 A.M.		24, 1997 00 A.M.	36 months after the signature of the contract		
Item	Code CABMS		Description	1		Quantity	Unit of reference		
1		"turn key proje delivering, instal	n integral new toll sy ect", which include liation and start up to construct and revar	ration,		eysonn			

The basis of the bidding is available to consult on the Internet: http://compranet.gob.mx. The basis including the attachments are available for consultation and selling at Calzada de los Reyes No. 24, Col Tetela del Monte, C.P. 62130, Cuernavaca, Morelos. (Mexico) from August 19, 1997 thru Oct. 10, 1997, Telephone (5273) 29 21 08...

Payment: Cash or certified check payable to Capufe or compraNet through the Banco Bital Account No. 400 6786 6444, branch No. 0965, Tlaltenango, Cuemavaca, Morelos.

The dates of visits to some specific sites where the toll plazas will be constructed or revamped will be on: Sept. 8, 1997 at 8:00 A.M., on the Mexico-Querétaro Highway at km 43+ 100 (Tepotzotlan Toll Plaza); and on Sept. 9, 1997 at 8:00 A.M. on the Mexico-Puebla Highway at km 33+ 300 (San Marcos Toll Plaza); and on Sept. 10, 1997 at 8:00 A.M. on Nuevo Teapa-Cosoleacaque Highway at km 22+ 800 (Doval Jaime Bridge).

The clarification meeting will take place on October 01, 1997 at 9:30 A.M. in the Meeting Room of the Direccion General Adjunta of Capufe, at Calzada de los Reyes Numero 24; Colonia Tetela del Monte, CP. 62130, Cuernavaca, Morelos Mexico,

The presentation of proposals and the opening of the technical offers will take place on Oct. 20, 1997 at 10:00 A.M. and the opening of the economic offers will be on Nov. 24, 1997 at 10:00 A.M. in Cuemavaca, Mor. at the address already mentioned...

The bidding will take place in accordance of the NAFTA Agreement.

The proposals must be presented in Spanish.

The currency of the bidding must be US dollars.

Advance payments will be given for each stage of the project in accordance with the bidding basis.

The sites of deliveries will be at toil plazas in accordance of the bidding basis. The terms of payments will be progressive in accordance with the bidding basis.

> Cuernavaca, Morelos, Mexico, August 19th, 1997 Lic. Francisco Alvarez Arce Secretario Ejecutivo del Comite de Adquisiciones, Arrendamientos y Servicios. Signature

